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A HISTORY

OF THE

LATIN MONETARY UNION

A STUDY OF INTERNATIONAL MONETARY ACTION

BY

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CHICAGO

The University of Chicago Press

1901

THE UNIVERSITY OF CHICAGO PRESS

To

WILLIAM LYNE WILSON

WITH TRUE REGARD

PREFACE.

In writing the following pages, I have attempted to do little more than to treat the history of the Latin Union, from its formation in 1865 to the present time. This book, therefore, is not a history of money in France and the allied countries, nor does it pretend to give a full account of the bimetallic controversy during the period in question. The reasons for this limitation in scope will be sufficiently apparent to require no detailed mention. Unity of purpose, however, has not been sought to the exclusion of matter which, while not directly pertinent to the subject in hand, is yet of importance in comprehending its historical relations. It has thus been thought helpful to give some attention to the course of monetary events leading up to action on the part of the Latin Union as a whole. Only so much has been said of the "international bimetallic conferences" as was necessary to explain the attitude adopted toward them by the union itself. Again, no more attention has been paid to the inconvertible paper of France and Italy than was necessary to explain the influence exerted by this currency upon the metallic money, in altering its distribution and deranging the working of the regulations providing for international circulation.

The effort has everywhere been made to rely mainly upon original sources for information. In discussing the action of the Latin Union itself, the material has, of course, been gathered solely from the official reports. Nearly all of the important monetary documents published in France, Belgium, and Italy since 1850, especially those bearing directly upon the bimetallic question, have been examined. In studying the course of exchange and kindred matters, reliance has been placed upon the quotations as published in financial journals like the *Économiste Français* and *London Economist*, but, in attempting to explain the condition of the market, inferences have usually been independently drawn. Further, the purpose of furnishing some reason for current events by a reference to pre-existing conditions has been kept in view. The superficial facts in the history of the Latin Union are already familiar to the reading public. What is less well known is its internal history.

The object of this study, then, has been (1) to furnish an impartial historical account of the various steps taken by the Latin Union, especially so far as concerns its treatment of the silver question; and (2) to see how far such an account will furnish support for certain current notions regarding the monetary problem as affected by the action of the Latin Union. The book aims to be nothing more than a historical monograph, and makes no effort to enter into the merits of the monetary question as such.

I wish to offer my thanks to Professor J. Laurence Laughlin, of the University of Chicago, for the varied assistance and criticism, without which I should have been unable to complete this study. I desire also to express to M. de Foville, director of the French mint, my appreciation of his courtesy in allowing me the use of the private library of the mint; and to M. de Maserolles, of the French mint, my obligations for the assistance afforded in consulting books and documents. My thanks are also due to Mr. N. C. Frederiksen for many useful suggestions and much assistance, and to M. Ottomar Haupt, and M. Pierre des Essars, of the Bank of France, for some hints regarding the stocks of the precious metals existing in the countries of the Latin Union, as well as to Dr. Charles L. Crow, who has read the proof-sheets of the book.

This book was first prepared for publication in the Economic Studies of the University of Chicago, early in 1897. Owing to an unavoidable delay in continuing the publication of those monographs, its appearance has been postponed to the present time. That it is now issued in that series is due to the generosity of the Hon. Isidor Strauss, of New York City, whose efforts in promoting economic study and research are well known. To him the acknowledgments of those interested in the series are due, and are hereby offered.

H. PARKER WILLIS.

LEXINGTON, VIRGINIA,
October 1900.

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CHAPTER I.

MONETARY HISTORY OF FRANCE, 1803–1860.

In studying the monetary history of France during the present century, it is convenient to recognize two main periods. The first covers the years from the passage of the law of 1803 to the limitation of the coinage of silver in 1873, and the abrogation, in 1876, of the right of free coinage. The second extends from 1876 to the present time. It is further to be noted that the first period consists of two epochs, one lasting from 1803 to 1848 and characterized by the almost exclusive use of silver as a circulating medium, the other presenting an abrupt transition from silver to gold, during the decade 1848–1858, and, subsequent to 1858, a comparative disuse of silver up to the last years of the period.

This complete revolution in the monetary habits of France, effected in the short space of ten years, was due directly to the new gold which was enabled to effect an entrance into the circulation through the operation of the law of 1803.

The ratio of 15½ : 1, established by the law of 1803, was, at the time of the passage of the law, nearly in accord with the relative market value of the two metals. From 1801–1804 (inclusive) the ratio was constantly below 15½:1, from 1805–1813 it was nearly always above that figure, and from 1814–1819 it was again continually below. After 1820, the ratio rose above 15½:1 and continued so, up to the time of the gold discoveries.[1]

No study of the changes in output, or supply, of the precious metals can here be undertaken. But, even if no account of such variations be made, it will still appear that alterations in demand must have been influential. From the demand side of the equation, the change in the relative value of gold and silver subsequent to 1820 may be traced to three considerable changes in monetary desires, manifested by:

[1] LAUGHLIN, *History of Bimetallism in the United States.* Appendix II, pp. 222, 223.

1. The adoption of the gold standard in England (1816).

2. The action of Holland in raising the ratio to 1:15.873 (1816).

3. The action of the United States in raising the ratio to 1:16 (1834).

Inasmuch as gold was more valuable in the market than at the French mint, relatively to silver, it was impossible that gold should circulate in France until there should be some change in the ratio. Such a change did not occur until shortly after 1848, when alterations in the conditions of production of the precious metals lowered the market ratio to a point below the mint equivalence of 15½:1. Nevertheless, during the whole period 1803–1848, the law of 1803 continued in practically unimpeded operation.[1]

It naturally resulted from the undervaluation of gold by France, from 1803 to 1848, that it was hoarded or exported in considerable quantities, while, on the other hand, large amounts of silver flowed in to take its place. The following table displays the effect of the law of 1803 in driving out gold up to 1848, and after that date in driving out silver:

FRENCH IMPORTS AND EXPORTS OF PRECIOUS METALS, 1815–1875.

(IN MILLIONS OF FRANCS.)

	GOLD								SILVER								GOLD AND SILVER			
	IMPORTS			EXPORTS			EXCESS		IMPORTS			EXPORTS			EXCESS		Total Import	Total Export	Diff. in favor of	
	Bullion	Coin	Total	Bullion	Coin	Total	Import	Export	Bullion	Coin	Total	Bullion	Coin	Total	Import	Export			Imports	Exports
1815	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	31	7	24	....
1816	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	49	155	....	106
1817	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	112	53	59	....
1818	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	112	155	....	43
1819	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	88	89	....	1
1820	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	110	138	....	28
1821	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	126	177	....	51
1822	....	....	43	....	....	39	4	....	....	....	143	....	....	18	125	....	186	57	129	....
1823	....	....	75	....		94	....	19	....	....	126	....	....	12	114	....	201	106	95	....
1824	....	....	102	....	....	65	39	....	....	....	142	....	....	18	124	....	244	83	161	....
1825	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	251	135	116	....
1826	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	174	175	....	1
1827	....	....	....	....	....	....	....	....	....	....	....	....	....	....		....	187	40	147	....
1828	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	208	29	189	....
1829	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	148	59	89	....
1830	....	....	48	....	....	38	10	....	....	....	172	....	....	21	151	....	220	59	161	....
1831	....	....	24	....	....	14	10	....	....	....	196	....	....	15	181	....	220	29	191	....
1832	....	....	14	....	....	53	....	39	....	....	118		....	58	60	....	132	111	21	....
1833	....	....	36	....	....	12	24	....	....	....	163	....	....	88	75	....	199	100	99	....
1834	....	....	25	....	....	32	....	7	....	....	167	....	....	66	101	....	192	98	94	....
1835	....	....	5	....	....	25	....	20	....	....	131	....	....	57	74		136	82	54	....
1836	....	....	24	....	....	58	....	14	....	....	92	....	....	65	27	....	116	103	13	....
Total	....	....	396	....	....	410	85	99	....	....	1450	....	....	418	1032		3442	2040	1642	230

[1] The period from 1803–1860 includes no epoch-making monetary act.

FRENCH IMPORTS AND EXPORTS OF PRECIOUS METALS, 1815–1875.

[*Continued.*]

(IN MILLIONS OF FRANCS.)

	GOLD								SILVER								GOLD AND SILVER			
	IMPORTS			EXPORTS			EXCESS		IMPORTS			EXPORTS			EXCESS		Total Import	Total Export	Diff. in favor of	
	Builion	Coin	Total	Bullion	Coin	Total	Import	Export	Bullion	Coin	Total	Bullion	Coin	Total	Import	Export			Imports	Exports
1837	6	23	29	22	13	35	....	6	23	145	168	1	23	24	144	....	197	59	138	....
1838	3	16	19	10	13	23	....	4	23	131	154	2	32	34	120	....	173	57	116	...
1839	7	36	43	....	19	19	24	....	15	117	132	5	52	57	75	....	175	76	99	....
1840	10	49	59	1	9	10	49	....	21	139	160	27	37	64	96	....	219	74	145	....
1841	4	11	15	7	13	20	....	5	19	151	170	16	37	53	117	....	185	73	112	....
1842	2	6	8	12	8	20	....	12	29	109	138	11	35	46	92	....	146	66	80	....
1843	3	7	10	26	25	51	....	41	39	118	157	9	45	54	103	....	167	105	62	....
1844	2	3	5	5	6	11	....	6	44	107	151	18	51	69	82	....	156	80	76	....
1845	3	2	5	13	6	19	....	14	46	113	159	14	55	69	90	...	164	88	76	....
1846	4	4	8	12	5	17	....	9	26	81	107	14	46	60	47	....	115	77	38	....
1847	5	16	21	9	25	34	...	13	49	89	138	17	68	85	53	....	159	119	40	....
1848	5	39	44	3	3	6	38	...	39	194	233	1	18	19	214	....	277	25	252	....
Total	54	212	266	120	145	265	111	110	373	1494	1867	135	499	634	1233	....	2133	899	1234	....
1849	5	7	12	1	5	6	6	....	62	229	291	3	44	47	244	....	203	53	250	...
1850	30	31	61	32	12	44	17	....	25	130	155	10	72	82	73	....	216	126	90	....
1851	22	94	116	14	17	31	85	....	21	158	179	33	68	101	78	....	295	132	163	....
1852	19	40	59	11	31	42	17	....	22	158	180	28	155	183	....	3	239	225	14	....
1853	261	58	319	6	24	30	289	....	17	96	113	41	189	230	....	117	432	260	172	....
1854	368	113	481	9	56	65	416	....	12	88	100	73	191	264	....	164	581	329	252	....
1855	275	106	381	5	158	163	218	....	43	78	121	77	241	318	....	197	502	481	21	....
1856	273	192	465	1	89	90	375	....	12	98	110	139	255	394	....	284	575	484	91	....
1857	291	278	569	3	120	123	446	....	18	80	98	152	306	458	....	360	667	581	86	...
1858	253	301	554	1	65	66	488	....	15	146	161	98	78	176	....	15	715	242	473	...
1859	358	369	727	5	183	188	539	....	12	199	211	190	192	382	...	171	938	570	368	....
Total	2155	1589	3744	88	760	848	2896	....	259	1460	1719	844	1791	2635	395	1311	5363	3483	1980	....
1860	279	191	470	32	127	159	311	....	12	119	131	146	142	288	....	157	601	447	154	....
1861	17	227	244	58	210	268	....	24	21	151	171	80	154	234	....	63	416	502	....	86
1862	119	283	402	42	195	237	165	....	28	104	132	116	102	218	...	86	534	455	79	....
1863	83	287	370	86	272	358	12	....	28	133	161	126	103	229	....	68	531	587	....	56
1864	110	354	464	33	306	339	125	....	64	204	268	134	176	310	....	42	732	649	82	....
1865	96	323	419	56	213	269	150	....	94	142	236	93	71	164	72	....	655	433	222	....
Total	704	1665	2369	307	1323	1630	763	24	247	853	1099	695	748	1443	72	416	3469	3073	537	142
1866	169	644	813	68	280	348	465	....	75	175	250	111	94	205	45	....	1063	553	510	....
1867	225	369	594	43	142	185	409	....	70	184	254	46	19	65	189	....	848	250	598	....
1868	200	293	493	30	251	281	212	....	64	129	193	27	57	84	109	....	686	365	321	....
1869	157	298	455	36	144	180	275	....	64	129	193	37	44	81	112	....	648	261	387	....
1870	69	241	310	100	91	191	119	....	32	74	106	26	45	71	35	....	416	262	154	....
Total	820	1845	2665	277	908	1185	1480	....	305	691	996	247	259	506	490	....	3661	1691	1970	....
1871	8	136	144	3	355	358	....	214	47	110	157	18	124	142	15	....	301	500	....	199
1872	19	123	142	6	189	195	....	53	54	187	241	16	123	139	102	....	383	334	49	...
1873	38	138	176	8	276	284	....	108	202	187	389	15	193	208	181	....	565	492	73	....
Total	65	397	462	17	820	837	....	375	303	484	787	49	440	489	298	....	1249	1326	122	199
1874	128	389	517	3	83	86	431	....	87	347	434	24	50	74	360	....	951	160	791	....
1875	212	381	593	26	113	139	454	....	113	166	279	34	51	85	194	....	872	224	648	....
Total	340	770	1110	29	196	225	885	....	200	513	713	58	101	159	554	....	1823	384	1439	....
Genl. Total	4138	6478	11012	838	4152	5400	6220	608	1687	5495	8631	2028	3838	6284	4074	1727	21140	12896	8924	571

See *Enquête sur la Circulation monétaire et fiduciaire de 1869* (Paris), vol. vi. pp. 534, 535.
Report from Select Committee on Depreciation of Silver, 1876, Appendix, pp. 86, 87 (after the official customs returns).

Thus, so far as the figures for the period 1803–1836 are complete, it is seen that the exports of gold were in excess of the imports. Up to 1837 exports of gold amounted to 410 million francs and imports to 396, while silver imports were 1450 millions, and silver exports 418 millions, leaving a net import of 1032 millions of francs in silver, and a net export of 14 millions in gold. There is, furthermore, reason to believe that the exports of gold consisted chiefly of coin, while the imports of gold were largely of bullion. At all events, by 1848 the gold coin of France (estimated by Gaudin in 1803 at one-third the total coin circulation of France) had almost wholly disappeared.[1]

[1] Important testimony on this point is yielded by the *Enquête sur la Question monétaire* (Conseil Supérieur du Commerce, de l'Agriculture et de l'Industrie): Paris, 1872.

"In 1808 the metallic circulation of France was valued at 800 millions of gold and about two milliards of silver, . . . but everyone admits that *in 1838* . . . . the whole of the French circulation did not include more that 200 millions of gold, or scarcely 5 per cent. out of a total circulation of four milliards" (vol. i. p. 562).

Thus, in 1838, not over 200 million francs of gold were in circulation. In 1848, however, the movement had reached a considerably more developed stage. "After the law of Germinal, An. XI, France had no gold monetary circulation during the period before 1850. Up to that time silver was *our sole monetary circulation*, but after the gold discoveries of California and Australia, gold took the place of silver in the general monetary circulation of the country" (vol. ii. p. 396).

A more precise statement is furnished by the *Rapport de la Commission chargée d'Étudier la Question de l'Étalon monétaire* (Ministère des Finances) which reported in 1869: "According to the report of Gaudin, dated 26 Brumaire, An. XI (1803), France at that time had one third of its coin circulation in gold. In 1848, almost all of this gold had disappeared. Out of 53 millions then (1848) possessed by the bank only one million was in gold. This metal had disappeared because from 1808–1848 it had enjoyed a premium which reached, at times, 1.50 per cent." (p. 32).

The "Enquête of 1858," established for the purpose of studying the monetary question, affords the following testimony (*Documents relatifs à la Question monétaire*, p. 8., Ministère des Finances 1858): "People were not slow to perceive that the law of the year XI had attributed to gold a nominal value inferior to its commercial value; gold reached a premium, was sought in the market, and became quite rare in the circulation. In 1838, MM. Dumas and de Colmont expressed the opinion that the relation of gold to silver was in fact 1 : 15.75."

See also *Journal des Économistes*, 1860, 1, i. p. 393: "Everyone recalls perfectly that gold coin under the Restoration and under Louis Philippe gained in current circulation a premium of from 1 to 1.5 per cent. Gold was thus in fact and in the rigorous sense of the word "demonetized," and we insist on this point because it indicates the subordinate rôle played by gold coin."

If more testimony is desired the reader may consult the six large volumes (now quite scarce) entitled *Enquête sur . . . . la Circulation monétaire et fiduciaire*, Paris, 1866, as follows: Vol. ii. p. 356, vol. iv. p. 218, vol. iv. p. 232, vol. iv. p. 372, vol. iv. p. 391, vol. iv. p. 397, vol. iv. p. 467, vol. iv. p. 561, vol. iv. p. 693, vol. iv. p. 924, vol. ii. p. 590, vol. iv. pp. 429, 430, 457, 546, 694, 708, 947, 964, 486, 487, 709.

Many other facts attest the accuracy of this statement. During the period 1803–1848 comparatively little gold was coined. The following is a summary of the French coinage of gold and silver, 1795–1847.:[1]

Gold	1,186,189,220	francs
Silver	3,990,675,971	"
Total	5,176,865,191	"

Thus the annual average coinage is:

Gold	22,811,331	francs
Silver	76,743,768	"

During the eighteen years ending 1848 the average is:

Gold	11,995,155	francs
Silver	97,237,402	"

From 1795 to 1848, gold formed 22.9 per cent. of the coinage, silver 77.1 per cent. From 1830–1848 silver was 89.1 per cent. and gold 10.9 per cent.[2]

With the advent of the new gold, the aspect of things was completely changed. The coinage for the next eight years was as follows:

	Gold	Silver	Total
1848	39,697,740	119,731,095	159,428,835
1849	27,109,560	206,548,663	233,658,223
1850	85,192,390	86,458,485	171,650,875
1851	269,709,570	59,327,308	329,036,878
1852	27,028,270	71,918,445	98,946,715
1853	312,964,020	20,099,488	383,063,508
1854	526,528,200	2,123,887	528,652,087
1855	447,427,820	25,500,305	472,928,125
1856	508,281,995	54,422,214	562,704,209
1857	572,561,225	3,809,611	576,370,836
1858	488,689,635	8,663,568	497,353,203
1859	702,697,790	8,401,813	711,099,603
Total	4,007,888,215	667,004,882	4,674,893,097

This affords a striking contrast with the preceding period. The annual average up to 1857 was 249,325,507 francs gold and 71,781,099 francs silver, or 77.6 per cent. gold and 22.4 per cent. silver. Never since 1795 had less silver been coined than in 1854.[3]

[1] LEVASSEUR, *La Question de l'Or*, p. 105. [2] *Ibid.* [3] *Ibid.*

The figures for exports and imports tell the same story. After 1852, the net imports of gold rose suddenly from 17 million francs to 289 millions, in 1854, to 416 millions, and finally in 1857, to 446 millions. From 1853–1857, France gained 1744 millions of gold.

The movement of silver was, of course, the reverse. Up to 1852, it was imported in considerable quantities. In that year, however, the reaction set in. The excess of exportation for the year was three millions. In 1853 it was 117; in 1854, 164; in 1855, 197; in 1856, 284; in 1857, 360 millions. During the five years, 1853–1857, France lost 1125 millions of silver, an annual average of 225 millions.

Thus the law of 1803 did not secure a "concurrent circulation" of gold and silver. It furnished a circulation composed of that metal which at the time happened to be the cheaper, the ratio of 15½ : 1 being taken, of course, as the standard of comparison. From 1803–1848, this metal happened to be silver; from 1848–1858, it happened to be gold. The transition from a silver to a gold medium of exchange was gladly welcomed by the French people, who found the latter metal better suited than silver to the needs of their expanding commerce. "Despite the very profound change which had come about in the metallic circulation, in consequence of the inflow of gold and the departure of silver, the public in general and commerce in especial did not manifest either anxiety for the present or apprehension for the future. They did not appear to suffer for they did not demand any remedy." [1]

It should not be understood from this statement that the change in the circulation passed for nothing in the minds of the

[1] *Documents relatifs à la Question monétaire; Enquête de 1858* (Ministère des Finances), p. 8. A striking commentary on the attitude of the French people is found in the two large volumes containing the depositions of the principal financiers of France entitled *Enquête sur la Question monétaire*, Paris, 1872. One passage in the report reads: "Will the opposite evolution be as simple, and will the public lend itself voluntarily to the restoration of silver and the exodus of gold? Assuredly not, and a change, the reverse of that which has occurred during the last twenty years would be sure to excite the most lively repugnance" (vol. i. p. 563).

people at large, or that it aroused no discussion. The fact that the operation of the law of 1803 had resulted in the banishment of gold from France had for years been a subject of comment among French economists;[1] although the fact that the market ratio had experienced no severe fluctuations since 1803, had kept the alternating character of the standard established by the law from making itself apparent. When, therefore, it began to be well understood that France was undergoing a complete change in the nature of her stock of coin, it was not strange that great interest began to be displayed, and there was much speculation as to what the new gold might mean to the people.[2]

It is beyond the scope of the present investigation to enter into a detailed account of the influence of the new gold upon France during the decade following 1848–9. It suffices to say that the beneficial character of the influence exerted by the new gold upon commerce, trade, and industry by affording a more convenient medium of exchange[3] is now generally recognized. In order, however, that we may well understand the subsequent monetary history of France and her allies it will be advantageous to furnish a brief statement of the general progress of the monetary controversy from 1848–1860, and of the governmental attempt to solve the problem of of the standard of value.

Although it is not desired to discuss the character of the law of 7 Germinal, An. XI [1803], it will be necessary to mention at this point one or two of its salient features. Its supposed ambiguity has aroused considerable controversy.[4] By its

[1] The law had never been regarded as a "bimetallic" law. On this point the collection of French documents, dating from 1785–1803, made by Mr. Horton and reprinted in the *International Monetary Conference Report of 1878*, pp. 241–327, may be consulted.

[2] As early as 1850 a Governmental Commission with M. Thiers at the head was instituted to study the monetary situation. Unfortunately no reports of the proceedings have been preserved. Its investigations were fruitless (see *Documents relatifs à la Question monétaire*, 1868, p. 6).

[3] See *e. g.*, BAUDRILLART, "Des Crises monétaires et de la Question de l'Or," in *Journal des Économistes*, 1855, ii. 1, pp. 360 *et seq.*, for the current opinion on the subject.

[4] See HORTON, *ante cit.*

principal provision, as expressed in the *Disposition générale*, five grams of silver .900 fine were to constitute the franc. By a later article, it was further provided that gold coins of a specified number of francs were to be struck. The natural inference would seem to be that the "standard" intended to be established was manifestly silver, while gold was a possible auxiliary for use in large payments, the coins of this latter metal being regarded merely as stamped ingots.[1] Until 1848, the correctness of this position does not seem to have been doubted. But, with the influx of the new gold and the exit of silver, it was seen that gold was much more willingly received by creditors in payment of debts ; and, when recourse was had to the law of 1803, it was found that no especial stipulations in it pointed out either gold or silver as the sole legal tender. Thus, in some minds, there arose the belief that the law of 1803 had been intended to establish in France the double standard. At all events, it was perfectly clear that the terms of this law contained no provision which would absolutely prohibit the use of either of the two metals in liquidation of obligations. It naturally followed that when it became understood to what a degree the monetary question in France was putting itself "in the terms of an imperious dilemma,"[2] the economists and people in general divided into two parties, one favoring the so-called double standard, the other a currency based upon a single metal as the standard of value. It was not, of course, urged by anyone that the "double standard" would secure a concurrent circulation of gold and silver, for that, as everyone knew, and as has just been shown, had never been seen in France, although circumstances had presumably been most favorable for its existence. On the contrary, quite the reverse was urged as the main argument in favor of bimetallism. But this possibility of an alternating standard was exactly what most strongly indicated to certain minds the necessity of taking some steps which should secure a permanently

[1] Compare on this point FONTENAY in *Journal des Économistes*, 1860, i. 2, pp. 402 *et seq.*, also ROULLEAUX, in *Journal des Économistes*, 1858, i. 1, pp. 242 *et seq.*

[2] PARIEU, in *Journal des Économistes*, 1860, i. 2, p. 1.

stable standard of value. Unfortunately, there was manifested among the advocates of monometallism a tendency to a division into two factions, one of which regarded silver as likely to be the most available standard, the other advocating the use of gold, for reasons which will presently be explained. There were thus three possible policies any one of which might be followed:

1. To refrain from interfering with the *status quo*, allowing the law of 1803 to continue its practical alternating standard.

2. To demonetize silver.

3. To demonetize gold.

In considering the first of these possibilities, it is interesting to note that, during the period immediately after the appearance of the new gold, little attention was devoted to bimetallism compared to that which was later bestowed upon it. Bimetallism has in fact always obtained its strongest hold when there has been a burden of depreciated metal to be disposed of. And, although it is true that many of the modern bimetallic arguments made their appearance during the later years of the period at present under discussion, it is especially noteworthy that they occupied by no means a very important place. In the course of the earlier years of the decade succeeding 1850, they attracted little attention. The main arguments for preserving the system of the law of 1803 were therefore those based on the fear of introducing a new and, in France, hitherto untried system of monometalism which might condemn the nation to a constantly depreciating standard of value should a mistake, in the selection of the metal to be demonetized, be made.[1]

More forcible arguments were urged by the adherents of gold, and by those of silver, monometallism. As has been hinted, there was no fundamental ground of difference between these two latter schools. Both favored monometallism, and the only difference of opinion concerned the question which one of the two metals should be demonetized. Thus the monometallists

[1] Compare on this point FONTENAY, "La Question monétaire," *Journal des Économistes*, 1860, i. 2, pp. 398 *et seq.*; PARIEU, "La Question monétaire Française," *Journal des Économistes*, 1860, i. 2, pp. 2 *et seq.*; also *Documents relatifs à la Question monétaire*, 1858, pp. 39 *et seq.*

were the party of action, urging that the policy of hesitancy, represented by the bimetallists, should be abandoned. It is evident that there was, at this time, some room for argument upon the comparative merits of gold and silver as monetary standards. The controversy was warmly taken up by Levasseur,[1] Chevalier,[2] Wolowski,[3] and numerous others. Attempts were made to show that gold was essentially better fitted than silver for use as a medium of exchange, while it was argued that the increased annual supply since 1850 was likely, not to be greatly augmented or diminished, but to remain tolerably constant for a period of years to come;[4] while, on the other hand, it was clearly demonstrated that France had already undergone a change so violent that no further movement of the kind would be possible.[5] The reply to these arguments was based principally upon efforts to show the unreliable character of the predictions concerning the future of gold. Gold had, relatively to silver, already suffered a fall, and it was urged that, should this fall continue, the country would find its standard of value constantly depreciating. In other words, it was argued that silver, and not gold, was the metal which would be likely in future to possess the desirable characteristic of stability.[6] As against the argument of the greater convenience of gold in large payments, it was urged by the more extreme that a depreciation of gold which would place its value absolutely below that of silver was by no means an impossibility; while moderate partisans of silver argued that greater convenience in the medium of exchange should in no case be purchased by a sacrifice of stability in the standard of value. Further, it was thought that the inconveniences arising from the use of silver might be overcome by the introduction of the cheque system, and Saint André tried to show[7] that

[1] *La Question de l'Or.* [2] *La Baisse probable de l'Or.* [3] *L'Or et l'Argent.*

[4] See *Journal des Économistes*, 1857, ii. 1, pp. 279 *et seq.*

[5] *Journal des Économistes*, 1856, ii. 2, pp. 474 *et seq.*

[6] See CHEVALIER, *La Baisse probable de l'Or*, and FONTENAY, "La Question monétaire, in *Journal des Économistes*, 1860, i. 2, pp. 291 *et seq.*

[7] *Description et Usages du Mode de Payement par Cheques*, etc., Paris, 1858.

in any event this credit system could, and ought to be, introduced into France. But to all arguments of the silver party the reply was made that France had actually substituted gold for silver, and the people were well satisfied with the change. To demonetize gold would be to throw business transactions into the greatest disorder and make the monetary system a chaos. Curiously enough, this state of affairs led to the recommendation of precisely the same remedy with regard to the depreciated gold as has, at the present time, been adopted by France and the Latin Union for silver. It was proposed that the coinage of gold be merely suspended, and that the already existing gold coin be maintained in circulation as legal money; while, if the law of 1803 continued in force, silver would still constitute the standard, and all future coinage would be of that metal.[1]

But inconvenience arising from a scarcity of small coin now began to be felt. A double outlet was, in fact, offered for the subsidiary money. Those coins which were still in good condition and had lost little by abrasion were, of course, almost as likely to be exported as the five-franc pieces, since they were of the same fineness. But, owing to the fact that Belgium had adopted the French coinage system, even the French worn pieces could now be advantageously exported to take the place of the Belgian coin. This movement and the continued demand for governmental action on the monetary question, led the administration, in 1858, to appoint a commission,[2] whose duty it should be, after a study of the subject, to recommend such measures as would be likely to obviate the existing difficulties. On the 7th of February, the members of the commission were named by the Minister of Finance, M. Magne, in an *Arrêté*[3] which outlined the object of the investigators as being "to seek out the principal reasons for the monetary situation . . . and

[1] CHEVALIER, *Baisse probable de l'Or*, and ROULLEAUX, "Legislation monétaire," in *Journal des Économistes*, 1858, i. 1, pp. 244 *et seq.*

[2] *Commission Chargée d'Étudier la Situation monétaire* (Paris, 1858).

[3] *Documents relatifs à la Question monétaire*, 1858, p. 1, for text of the *Arrêté* and accompanying documents.

to give an opinion on the solution, which the general interests of the country may demand."

The report of the "Commission of 1858" summed up briefly the monetary history of France prior to 1850,[1] and enlarged upon the profound change in the French circulation, due to the appearance of the new gold. It considered the causes of the movement of silver out of France to be not only the immensely increased production of gold, but also the extraordinary demands of commerce for silver to be used in the trade with the East, where western products were not extensively used, and silver was chiefly desired for hoarding. In this connection the possibility that the alteration in the relative value of the two metals might be due to a rise in the value of silver rather than to a fall in that of gold, was discussed, and the commission, while recognizing the difficulty of a decision on so knotty a point, professed the belief that gold had not fallen.[2] "If, then," said the report, "there has been on one side an increasing production of gold, there is, on the other, a correlative progression in business; and several members of the commission would appear even inclined to believe that there is scarcity rather than redundancy of the circulating medium."[3] The rise in the value of silver was explained by reference to commercial conditions, but the commission expressed the hopeful opinion that, while causes which had led to the rise of silver seemed to be of a durable nature, those which had rendered possible the increased production of gold would soon lose their force. Thus they would expect that a reaction would soon set in, in the course of which the demand for gold would restore a market ratio approximately the same as that fixed by the law of 1803, and it was pointed out that this rise would render a choice between the two metals less hazardous. The use of gold had been productive of great benefits to trade,[4] and the effect of the "rise of silver" in "raising the value of all French capital," was thought to be a matter of congratulation.

[1] *Rapport de la Commission Chargée d'Étudier la Situation monétaire* (1858), pp. 7–14.

[2] *Ibid.*, pp. 18, 19. [3] *Ibid.*, p. 23. [4] *Ibid.*, p. 23 *et seq.*

Nevertheless, the commission believed that the movement had been accompanied by some inconveniences:

1. To the treasury;
2. To the bank;
3. To commerce.

The most important of the disadvantages accruing to the treasury was the necessity, arising from the export of subsidiary coin, of buying silver for the purpose of coining additional supplies.[1] This could hardly help being a considerable expense. Under the second head, was urged the danger to the bank from a reserve composed of gold instead of silver. This arose from the greater portability of gold, and consequently its easier withdrawal, which might cause serious fluctuations in the reserve, and consequently in the rate of discount.[2] The difficulties which, it was thought, might be experienced by commerce from the disappearance of silver were chiefly those arising from the necessity of purchasing at a premium silver ingots to be used in the trade with the East.

Before coming to specific propositions, the report attempted to discuss the possibilities of monetary action. It rejected the bimetallic principle, declaring that "it is as impossible to have two monetary standards as it is to have two units of length or weight."[3] On the proposition to lower the valuation placed upon gold relatively to silver at the mint, it discussed the probable demand for and supply of gold, and showed that a change in the legal ratio would be quite in accordance with the principle involved in the law of 1803; but it urged as an objection to this course of action the expense of recoinage, which would necessarily fall upon the state, unless the loss should be thrown upon the present holders of gold, a step which was not to be thought of. The idea of periodically altering the mint ratio to correspond with that of the market was out of the question, since this would be sure to throw the circulation into constant disorder. At all events if, as had been decided, the scarcity of silver came about largely from the demands of eastern trade, there

[1] *Ibid.*, p. 24. [2] *Ibid.*, p. 25. [3] *Ibid.*, p. 28.

was no reason to suppose that a change in the ratio to market value would bring it back.[1] The proposal to retain gold and reduce silver to the condition of token money did not meet with a better fate at the hands of the commission. The recommendations of the commission merely outlined an "expectant policy" as a fundamental basis; but they also went a step farther. It was suggested that a high tariff be placed upon the export of silver, and stringent enactments against money speculators[2] were recommended as a supplement to the new tariff. Finally, a coinage of gold five-franc pieces to take the place of the old silver coins of the same denomination was advised.[3] None of the suggestions were officially acted upon, and the problem remained essentially unchanged in character.[4]

[1] *Ibid.*, p. 34. [2] *Ibid.*, pp. 44, 45. [3] *Ibid.*

[4] "This measure" [that proposed by the Commission of 1858] "being of little efficacy, and contrary to true economic principles, was not executed, and silver continued to leave France for the Orient, where it enjoyed a heavy premium."—*Rapport de la Commission Chargée d'Étudier la Question monétaire*, Paris, 1869, p. 3.

"After having examined the proposals, which recommended that the system based upon the retention of silver money and reduction in value of the gold money, and, on the other hand, the system recommending the adoption of the gold standard and the reduction of the silver coin to the condition of token money, it has not settled either one of these two questions."—*Commission monétaire de 1867* (Paris, 1867), *Procès Verbaux et Rapport*, p. 6.

"This commission adopted no solution involving a principle. . . . It proposed a tariff, an export duty on the outflow of silver. This method had public opinion against it. It was not adopted, and the *status quo* was maintained."—*Enquête sur la Question monétaire, 1872* (Paris, 1872), vol. i. pp. 12, 13.

CHAPTER II.

BELGIAN MONETARY HISTORY, 1832–1862.

THE political independence acquired by Belgium in 1831, at the time of her separation from Holland, was followed by a change in her monetary system. For years her industrial relations with France had been of the most intimate nature and it was not her policy to render the relationship less cordial. It was thus natural that when Belgium abolished the old Dutch coinage in 1832, she should adopt in its place that of France. By the law of 1832, Belgium became, from a monetary point of view, "a satellite of France."[1] By that law she adopted in its entirety the monetary system of France[2] and even went so far as to give to the French gold pieces of 20 and 40 francs, and to the French silver five-franc pieces the quality of legal tender in Belgium. The essential stipulations of the law were briefly these:

1. Five grams of silver nine tenths fine constituted the monetary unit which was called the franc.

2. The subsidiary coins, also nine tenths fine, were to be the same as those of France.

3. The national gold coin was to be the 20-franc piece and one kilogram of gold was to be coined into 155 of these pieces.

These provisions were precisely those of the French law of 1803. Whether that law was bimetallic in its chaaacter or not, there resulted from its operation to 1847 in Belgium, as in France, an exclusively silver circulation.[3] During the years

[1] *Report United States Monetary Commission*, 1876, p. 144.

[2] HORN, *Journal des Economistes*, 1859, vol. ii. 2, p. 107.

[3] "Belgium," said M. HORN (*ibid.*), "had for fifteen years allowed the clause of the monetary law of 1832 which authorized the emission of gold coins of 20 and 40 francs, to be a dead letter; silver alone performed the function of money. The law of 1832 had indeed given a legal circulation to the French gold coin, but the premium which at that time existed on this coin, because its market value exceeded its mint

1832–1847, it operated uninterruptedly in Belgium, and under it 25.4 millions of francs in silver were coined, but not a single gold piece.[1] It only remains to add that the Dutch 10-florin gold pieces had, during these fifteen years, continued to have a legal-tender quality in Belgium, by weight, at the equivalence of 21 francs and 16 centimes in silver. To recapitulate, the various coins legally recognized were these:

1. Belgian silver coins.
2. Belgian gold pieces of 20 and 40 francs.
3. Dutch gold 10-florin pieces.
4. French gold pieces of 20 and 40 francs.
5. French silver 5-franc pieces.

Of these categories the second, as we have seen, never actually existed. The scantiness of the Belgian exports and imports of gold leads us to the belief that Dutch and French gold had a very limited circulation in Belgium, while the inadequacy of the silver coinage (25.4 million) together with the comparatively large import figures for silver justify us in the opinion that French silver had an extended circulation there.[2]

A new monetary era opened for Belgium in 1847. The scarcity of money, or the patriotic desire for a national gold coinage, or a belief that an element of gold in the currency would be of advantage to business (if combined with the silver currency) led the Belgian Chambers to adopt a succession of measures looking to the introduction of gold. The legislation

value (15½ × its weight in silver) prevented it from circulating in Belgium, as it was prevented from circulating even in France."

At the official Conférence Belge instituée pour l'Examen de la Question monétaire (*Documents relatifs à la Question monétaire recueillis par* M. J. MALOU, Bruxelles 1874, p. 263), M. Malou, detailing the monetary history of Belgium, said: "It has on various occasions been proved that the law of Germinal, An. XI, established in reality the single silver standard." M. Pirmez, speaking on the same subject, said: "In fact the double standard never exists; it is replaced by the alternating standard, since people always pay in silver when gold is at a premium and in gold when silver is dear."

[1] *Documents relatifs à la Question monétaire recueillis par* M. J. MALOU, Bruxelles 1874, pp. 50, 51; also, *Bulletin de Statistique et de Législation Comparée*, 1878, vol. i. p. 324.

[2] This is also attested by the *Documents monétaires officiels Belges*, p. 73 *et seq.*

seems to have been of a very haphazard character. The law of March 31, 1847, provided for a national legal-tender gold coinage of 10 and 25-franc pieces.[1] It was ordered that the 25-franc piece, nine tenths fine, should weigh 7.91556 grams. This was equivalent to a new mint ratio of 1 : 15.83 and was, therefore, a rather striking departure from the old "bimetallic" ratio of 1 : 15.5. The gold coinage, however, was to be issued by the government alone and was limited to 20 millions of francs, but the minting of the 20-franc piece at the old ratio was not prohibited.[2] Under this law there were coined, during the three years succeeding its passage, 14.6 million francs in gold, while the coinage of silver under the law of 1832 during the same years aggregated 80.6 millions.[3] On March 4, 1848, Belgium attempted to impose the legal-tender quality on the English sovereign, giving to it a legal equivalence of 25 francs 50 centimes,[4] when its market value was but 25 francs 22.5 centimes, a premium of about 1.1 per cent. As the English sovereign weighed 7.981 grams and had a fineness of 916 thousandths, the law of March 4th practically established a third ratio of 1 : 15.69666. Under this law, speculators imported into Belgium English sovereigns to the value of about 30 million francs, and exported silver to a corresponding amount.[5] Such were the methods of Belgium's attempt to secure a gold currency.

It will now be necessary to go back a year and consider the course of extra-legal monetary events. We have already noted that Dutch 10-florin and French 20 and 40-franc pieces were legal tender in Belgium, but had had only a very limited circulation

[1] A similar law had been introduced ten years before, in 1837, but had failed to pass. See *ibid.*, p. 77.

[2] For criticisms adverse to the law see CHEVALIER, in *ibid.*, p. 78.

[3] These issnes were for the most part hoarded. See *ibid.*

[4] The government had proposed the rate of 25 francs 30 centimes, the special commission that of 25 francs 40 centimes. It was raised to 25 francs 50 centimes, because of the high rate of exchange current. Exchange at the time of the passage of the law was quoted at from 26 to 27 francs. It was not long before it suffered a heavy fall, and, as stated in the text, went to 25 francs 22.5 centimes.

[5] See *Documents monétaires officiels Belges, ante cit.*

up to 1847. In that year, two events occurred which led to a change in this respect. November 26th, Holland demonetized gold, and the 10-florin pieces, which were liberated in considerable amounts, flowed into Belgium. In that year, France likewise was just beginning to feel the effects of the increased production of Russian gold which had begun about 1840. France coined an increased quantity of gold which took the place of a corresponding amount of silver. As Belgium gave the legal-tender quality to the French 20 and 40-franc pieces, she was supplied with some of the new French gold coin about the same time that gold was being so largely imported from Holland, thus obtaining a supply of gold from two distinct sources.

In 1849, then, the gold monetary system of Belgium included the following different components:

1. The French 20 and 40-franc pieces representing the old ratio of 1 : 15.5.

2. The English sovereign, representing the ratio of 1 : 15.-69666.

3. The Dutch 10-florin piece, admitted at a fixed value of 21 francs 16 centimes.

4. The native Belgian 10 and 25-franc pieces representing the ratio of 1 : 15.83.

Belgium had, however, hardly taken these measures to secure a gold coinage when the Chambers became frightened, either at the large amounts of gold which were entering the country, or at the fact that French gold pieces which had always stood at a premium of 1.2 or 1.5 per cent. prior to 1848, lost, during 1850, about 2 per cent. of their original value. September 28, 1849, the Chambers passed a law whereby the English sovereign was deprived of its legal-tender quality.[1] The sovereigns were redeemed by the government at their face value, the operation resulting in a slight profit to the public treasury,[2] and an amount of them equal in value to 18.2 millions of francs were withdrawn.[3] The pessimistic predictions as to the future of gold as

[1] See *Moniteur Belge* of September 30, 1849. [2] See *ibid.*, p. 83.

[3] *Documents relatifs à la Question monétaire recueillis par* M. J. MALOU, pp. 262, 263.

a money metal, that had all along been made by the economists were now renewed, and the Chambers, yielding to their own fears as well as to popular opinion, passed a law, June 14, 1850, whereby the Dutch 10-florin gold pieces were also deprived of their legal-tender quality. The government, however, continued for eight days to receive them in payment of taxes at the rate of 20 francs 90 centimes. As their former equivalence had been 21 francs 22.5 centimes in the market and 21 francs 16 centimes as a legal tender in payment of debts, it is easily seen that the rate at which the government received them was low enough to render unprofitable an importation of these coins for payment to the government. The rate at which the government continued to receive them was in fact pretty nearly equal to their market value at the lowered ratio of gold to silver. On December 28, 1850, French gold was, in the same way, deprived of its legal-tender quality by the Belgian law of that date.[1] This was, of course, purely a formal measure, inasmuch as neither French nor Belgian gold was in circulation. At the same time, silver was recognized as the sole standard, "the chambers voted the complete suppression of the gold currency,"[2] and the coinage of gold completely ceased. The last measure of the series was the royal decree of August 11, 1854, which demonetized the gold coins struck under the law of March 31, 1847, and about 12 millions of francs of these coins were received by the treasury in payment of taxes. This left only 2.6 millions still presumably in circulation.

This ended the second period of Belgium's monetary history subsequent to 1832. The measures passed by the chambers, as just explained, seemed to many entirely wise. In 1850, Switzerland, Naples, Spain, India, and other states also pursued the policy of demonetization of gold. Nevertheless, the policy did not result in securing for Belgium monetary peace.

The third period of Belgium's monetary history opened in

[1] *Journal des Economistes*, 1859, vol. ii. part 2, pp. 107 *et seq.* Also, *Documents monétaires officiels Belges loc. cit.*

[2] *Report United States Monetary Commission*, 1876, pp. 145 *et seq.*

1851. She was now on the silver basis. French silver five-franc pieces were still legal tender in Belgium, while the Belgian gold coins had ceased to be struck, and those gold coins still in circulation were soon to be retired (see above). In order to understand the events of the decade 1850–1860 in Belgium, it is necessary to recollect clearly the nature and condition of the stocks of money on hand in both France and Belgium. Belgium had coined, between 1832 and 1853, about 160 million francs in silver and about 14.6 million francs in gold.[1] It is likely that in 1853, this stock of silver remained almost all in existence as coin, although some of it had crossed the frontier into France, and a much larger amount of French silver had, in the course of trade, been brought into Belgium.[2] The Belgian stock of silver was not much worn and was, in general, in excellent condition. France, like Belgium, still had a circulation largely composed of silver, but, unlike the latter, this circulation contained worn and abraded coin. France's best coin circulated in the provinces, where it did not undergo much wear; while the circulation of Paris, on the contrary, contained the oldest and poorest coin in the country. It is only necessary to recall that the Belgian coin was struck under the same conditions of weight and fineness as the French, so that the face values of the two were precisely equivalent, and we can completely understand subsequent events. The problem now about to be solved was this: Was it possible for Belgium to maintain a single silver standard beside the French nominally double, but really single, gold standard?

The course of events in France is familiar. The process of displacing silver with gold had begun in that country, to some extent, in 1847, and, even so early as that, it had had an obscure influence on Belgium. We have already noted that, between 1832 and 1848, the Belgian silver coinage had amounted to 25.6 millions, that there had been no gold coinage, and that between 1847 and 1850 the coinage of silver had leaped to 80.6 millions,

[1] *Bulletin de Statistique et de Legislation Comparée*, 1878, vol. i. p. 324.

[2] *Documents relatifs à la Question monétaire recueillis par* M. J. MALOU, pp. 176, 177.

or more than three times its amount for the preceding fifteen years, although the period from 1847–1850 was the time when Belgium was making strenuous and measurably successful efforts to secure a gold currency. In 1847, when the Russian gold began to flow into France and displace silver the French silver coinage was reduced in volume. Belgium could no longer rely on French silver coin for her circulation, and was forced to resort to her own mint. Hence the increase in Belgian silver coinage subsequent to 1847. An abundant silver coinage continued to be minted up to 1854. By that time, the value of gold had sunk sufficiently low to render a further coinage of silver unprofitable in Belgium, and it therefore practically ceased. Silver, however, must be had for necessary payments and for the daily use of a population not so wealthy as the French. The reason why silver coinage ceased after 1853 was this: French silver five-franc pieces could be brought in France for gold, shipped to Belgium, and used for the needs of business at a lower cost than that at which the Belgian five-franc pieces could be struck. Owing to this simple commercial fact, there was practically no silver coinage in Belgium from 1854–1865, only about 263,000 francs being minted (and that in small fractional coin). But the process did not cease with merely supplying Belgium's needs for silver at a lower cost than that at which she could herself supply them through her mint. This was only the beginning of the movement of silver from France into Belgium. France's silver circulation was being collected, melted, and exported by the speculators. In this operation the newer and less worn coins were naturally the first to disappear. As they became scarce, recourse was had to Belgium, whether many of the French coins had been drawn and where the native circulation was not much worn. French gold was no longer legal tender in Belgium. But as much of the French silver coin had lost fully 8 per cent. of its value by wear, it was a very profitable operation to export this light-weight coin to Belgium, where it was still legal tender, exchange it for heavy Belgian coin, melt the latter, and re-export it to Holland and Germany, the two principal countries of the

single silver standard. In this way the better part of the silver circulation of Belgium was gradually exchanged for the abraded French coin. In 1850, the import of gold and silver into Belgium from France had been but six millions of francs. In 1851, this figure rose to 20.1 millions, and in 1854 to 52 millions; while in 1859 the imports of silver alone were 76.3 and those of gold 2.3 millions.[1] Although the import of gold from France was nearly always largely in excess of the export, yet the import of silver was so far in excess of the import of gold that it is evident that not gold, primarily, but the worn silver coinage of France was driving out the Belgian silver. As the operation went on and gold fell still somewhat lower, the very worst of the French silver was gradually drawn into Belgium. By 1859, the currency of Belgium was in a bad condition, and two commissions, established to investigate the monetary problem,[2] reported that the loss from wear on the French silver coin varied from 3 francs 77 centimes to 8 francs 40 centimes per 1000 francs, and in some cases was even more serious. In 1859, it was estimated that the silver circulation of Belgium, consisting almost entirely of much-worn pieces, was composed of 70 per cent. French and 30 per cent. Belgian coin.

Belgium, however, had yet to experience greater difficulties than ever before. Owing to the increasing premium on silver, even the abraded coins began to disappear and the lack of an adequate currency was severely felt. To meet this emergency, French gold, which had already been coming in to a considerable extent was imported in increased quantities. Although this gold was of assistance as a medium of exchange it nevertheless occasioned three kinds of annoyance to the people:

1. It was not a legal tender and had no debt-paying power.

2. Its market value was not equivalent to the face value of the silver currency at the existing ratio of gold to silver.

3. The denominations of the gold pieces were too large, for the most part, to admit their use in small transactions.

[1] *Documents relatifs à la Question monétaire recueillis par* M. J. MALOU, pp. 176, 177.

[2] See *Rapport déposé par M. le Ministre des Finances à la chambre des Représentants, Séance du 20 Août*, 1859, No. 18.

The first of these circumstances was a great impediment to business. The second was especially annoying to the ignorant population. Accustomed to consider four silver five-franc pieces equivalent in value to a gold 20-franc piece, they were easily induced to make the exchange, finding gold more convenient to carry or hoard; but they were then enraged to find their gold subjected to a heavy discount by the "arbitragists." Finally, the lack of coin of small denominations was a serious hindrance to trade. The total circulation of Belgium was now about 87 per cent. French, and 13 per cent. Belgian, coin[1] A fluctuation in the ratio of gold to silver drew back into France, in 1860, some of the French gold coin then circulating in Belgium. This intensified the annoyance caused by the lack of currency and, in response to popular demand, the Chambers, against the will of the finance minister, passed a law, June 4, 1861, by which the legal-tender quality was once more bestowed upon French gold pieces, and decreed the coinage of gold conformably to the French system.[2] The hope was that this would put an end to the operations of the money speculators and provide a permanent place for French gold in the Belgian monetary system.

The law did, perhaps, have a tendency to check monetary speculation within Belgium, but this was effected at a heavy cost, for the new quasi-bimetallism at once subjected Belgium to an alternating standard of value. Gold was not destined to fall

[1] Compare composition of the *silver* circulation as previously given.

[2] The excitement over the measure was quite intense. M. Frére-Orban, the finance minister, resigned his position. There were two distinct parties, one favoring the gold standard and the other bimetallism. The program of the gold party was thus expressed by M. Nothomb in the Belgian House of Representatives, March 1, 1861: "For us the future has another solution, namely, that which Switzerland has adopted—the adoption of foreign moneys at their nominal value with a subsidiary coinage eight tenths fine. For the moment that is my monetary ideal; I foresee in it monetary unity between France, Switzerland, Belgium, and probably Italy herself." (*Journal des Économistes*, 1886, vol. i. p. 285.) Had this suggestion been acted upon, the Belgian delegate, M. Pirmez, would have had no occasion to exclaim (*Conf. Mon. entre la Belgique, la France, etc., Procès-Verbaux*, 1885, p. 104), that his country was the *victim* of the Latin Union, since Belgium might, like Switzerland, have avoided risk arising from the possible depreciation of silver by making use of the French coinage.

much lower, and the abraded silver coins were so reduced in value that they were not likely to disappear by a steady process of exportation. Temporary fluctuations, therefore, were the principal reliance of the speculator. The alternating standard manifested itself (1) in the disturbance of the rate of interest, (2) in the progressive deterioration of the currency, and (3) in the losses thereby entailed upon business men. The main injury to the banking interests was the heavy strain to which the reserves of the *Banque Nationale* were subjected. It is quite possible that the geographical position of Belgium had an influence in intensifying the injurious action of an alternating standard.[1] Surrounded as she was by countries some of which had a single gold and some a single silver standard, while the actual currencies frequently corresponded to neither, Belgium was in a position to feel most keenly the disastrous consequences of her alternating standard.[2]

Whenever a speculator found that the price of gold and silver was such that he could make a profit by shipping either metal to, or withdrawing it from, any of these countries of differing standards, he made the bank of Belgium the basis of operations, thus depleting its reserves or causing a plethora of coin as the case might be, as well as setting on foot a tendency to scarcity or redundancy of the circulating medium. In 1861 the gold reserve of the *Banque Nationale* sank suddenly from 22 to 7 millions and the silver reserve rose as sharply from 11.5 to 17 millions, while the rate of discount fluctuated from 4.6 to 3 per cent. In December 1862, the gold reserve was 17, in the following February it had sunk to 9, and in the April

[1] "Belgium," remarked M. Kreglinger, in a speech delivered at the opening session of the first convention of the Latin Union, December 23, 1865, "being placed between France, where gold has become in fact the real monetary standard, England, where gold is in law and fact the sole standard, Holland where silver is in law and fact also the sole monetary metal, and Germany where silver is the sole legal standard, but where gold nevertheless obtains a very important effective circulation, is naturally called to serve as ground of union between these different countries for their monetary transactions." *Conférence monétaire entre la Belgique, la France, etc., Procès-Verbaux; Séance* 1, 1865, pp. 21–22.

[2] *Ibid.*

succeeding, it was 5 millions, while during the same time the reserve of silver five-franc pieces had risen but 1 million. About the same time, the bank was forced temporarily to cease payment in silver five-franc pieces,[1] for a sudden contrary movement reduced the reserve of silver five-franc pieces first to 5 and then to 2 millions, and the rate of discount fluctuated between 3 and 6 per cent., which were the extreme limits.[2] In 1865 the rate of discount rose from 4 to 5.8 per cent., following a corresponding movement in the reserve. During all this period, the normal rate was from 2.5 to 3 per cent., so that the inconveniences undergone by the business public may readily be appreciated. Thus the reserves of the bank were now depleted on the gold and now on the silver side and sometimes on both. This was rendered even worse by the method of restoring the reserve. A delay was usually unavoidable, and this was protracted as long as possible, until the rate of exchange was reversed, when it was profitable to send back the coin just withdrawn.

The monetary system of Belgium subjected merchants to considerable losses in another way also. If it was necessary to pay a debt in a neighboring country of the silver standard, as Holland, for instance, the Belgian debtor found himself obliged to pay in silver, in addition to the amount of the debt, a sum sufficient to cover the loss on the worn coin. On the other hand he was at any time likely to be paid in much worn silver from which the less abraded pieces had been carefully sorted. This double loss must likewise be incurred in sending gold abroad to pay debts in states where the gold standard prevailed. In this state of things an additional circumstance began to have a deranging effect. The heavy demand for silver for export to the East during the two years just prior to 1865 bade fair finally to deprive Belgium of the little silver she had left.

[1] *English Report on Depreciation of Silver*, 1876, Appendix, pp. 102–106.

[2] *Conférence monétaire entre la Belgique, la France, etc.*, *Procès-Verbaux*, *Seance* 1, 1865, and *Documents relatifs à la Question monétaire*, pp. 206 *et seq.*

CHAPTER III.

SWISS MONETARY HISTORY, 1848–1860.

For the present purpose, it is unnecessary to study the monetary history of Switzerland farther back than 1848. Prior to that date, the great number and variety of the native monetary systems effectually precluded all mutual circulation of coin between the various cantons. No less than eleven monetary units might have been counted in Switzerland, including four different kinds of livres and seven kinds of florins, beside the French franc, which had been adopted by Geneva as early as 1838.[1] Moreover, many of the native systems had suffered debasement, and their coins were little more than tokens.[2] The situation, in fact, very closely resembled that existing in Germany, prior to the creation of the monetary union of 1857, and the frequent struggles of individual cantons to introduce some improvement into the old systems only threw a more glaring light upon the fearful confusion everywhere obtaining.

By the *Bundesverfassung* of 1848, the cantons were, among other things, deprived of the old right to separate coinage systems, the sole control of monetary affairs being appropriated to the central government. Art. 36 of the *Bundesverfassung* ran as follows:

> The exercise of all rights included in the regulation of the coinage belongs to the Union.[3]

This principle was later reaffirmed in Art. 38 of the Federal Constitution of May 29, 1874.[4]

Thus all coinage rights were carefully reserved to the state. It was not, however, until more than a year after the adoption of

[1] CHERBULIEZ, *La Question monétaire en Suisse*, *Journal des Économistes*, 1860 i. 1, p. 40.

[2] See SOETBEER, *Die Goldfrage und deren Einfluss auf das Münzwesen der handeltreibenden Länder*, *in Zeitschrift für die gesamte Staatswissenschaft*, 1862, p. 79.

[3] See for text BURCKHARDT-BISCHOFF, *Die Schweizerische Münzgesetzgebung seit 1848*, p. 3.

[4] For text see VINCENT, *State and Federal Government in Switzerland*, p. 204.

the *Bundesverfassung* of 1848 that the rights secured by Art. 36 were embodied in appropriate legislation. The law of May 7, 1850,[1] adopted the French monetary system in the following words,[2] precisely similar to those of the law of 1803:

Five grams of silver .9 fine constitute the Swiss monetary unit under the name franc.[3]

It was further specified, by Art. 8 of the law of 1850, that such foreign silver coins as were minted in sufficiently close conformity with the French system might be granted a legal status as regular media for the payment of debts. Accordingly, the use of the silver five-franc, two-franc, one-franc, one-half franc pieces of France, Belgium, Sardinia, Parma, the Cisalpine Republic, and the old Kingdom of Italy was legalized by the law of June 16, 1852. Under the law of 1850, silver five-franc pieces to the amount of 2½ millions of francs were soon struck, and foreign coin eked out this scanty circulation.[4] Thus, by 1854, the monetary reform had made some progress. But, by this latter year, and, to a considerable extent, even before that date, the effects of the new gold were beginning to be felt in Switzerland, as well as in France and in Belgium. In order to understand these effects, it will be necessary to devote some attention to an aspect of the law of 1850 that we have not yet discussed.

Arts. 2 and 3 of the law of 1850 were as follows:[5]

Art. 2. The franc shall be divided into one hundred (100) Rappe (centimes).

Art. 3. The Swiss denominations of coin shall be:

a. In silver:

The five-franc piece.
The two-franc piece.
The one-franc piece.
The half-franc piece (50 Rappe).

[1] For text see *Handels-Archiv*, 1850, pp. 532 *et seq.* [2] Art. 1.

[3] For account of the monetary debate leading to the action described in the text see BURCKHARDT-BISCHOFF, *ante cit.*, p. 4., also SOETBEER, *ante cit.*, p. 80.

[4] HAUPT, *Histoire monétaire de Notre Temps.* Paris, 1884, pp. 385 *et seq.*

[5] *Handels-Archiv*, 1850, p. 533.

b. In token coinage:
The twenty-Rappe piece.
The ten-Rappe piece.
The five-Rappe piece.

c. In copper:
The two-Rappe piece.
The Rappe piece.

(In gold none.)

Thus the Swiss law of 1850 merely carried to its logical outcome the French law of 1803. It based the monetary system exclusively on silver. It made no provision for gold coins upon any terms; nor were these latter provided for in the law of 1852, which regulated the rate at which foreign coin might be received. But, as French silver coin had been made legal money in Switzerland, it naturally came about that French gold should, in the minds of the people, be placed on the same basis as French silver.[1] People easily became accustomed to the use of the decimal system and of the franc, both of which had for a long time been familiar to them. When the new gold began energetically to push silver out of circulation in France and to display its greater adaptability to commercial needs it was, in Switzerland as elsewhere, welcomed as a valuable auxiliary to expanding business.

> In vain did the law of 1850 refrain from fixing the value of gold coins in silver. . . . In vain did it formally recognize as unit the silver franc. . . . . In vain did it thus implicitly give to every creditor the right to demand payment in this sort of money [silver]; the force of circumstances, stronger than law, imposed [upon Switzerland] the French monetary system with all its consequences.[2]

As the Swiss people became accustomed to a more and more extensive use of French gold, and as the French system became more deeply rooted in Switzerland, it grew the more easy to extend to Switzerland the movement which was replacing French silver with new gold. This process first began to be noticeable in 1854–5. Swiss banking houses were actively

[1] See SOETBEER, *ante cit.*, pp. 82, 83 *et seq.*

[2] CHERBULIEZ, *La Question monétaire en Suisse*, *Journal des Économistes*, 1860, I, p. 41.

engaging in collecting and exporting Swiss silver coins as well as whatever foreign silver coins were in circulation.[1] It is only just to add that dealing in gold was becoming almost a necessity in the Swiss banking business, since gold was so extensively used in France that remittances were usually made in that metal, and objections to remittances in silver five-franc pieces were common. During 1855, the disappearance of the new Swiss coin became very apparent, and good silver coins of all sorts and denominations were certainly becoming very scarce — so much so that, in many regions, debts were regularly paid, even at this early date, in gold. In 1854 (December 18), the legislature discussed the situation carefully but could not bring itself to take any step. It, however, declared that it would on no account pursue the policy of admitting gold coin at officially determined values.[2]

During all this early period the public discussion of the gold and silver question was active. Much the same division of opinion existed as in France, and French economists not infrequently joined in the work of assisting the Swiss to select a suitable monetary system.[3] Everywhere the feeling was prevalent that the monetary system should be uniform with that of the neighboring countries, but to the agitation for the admission of French gold at a fixed rate was added the cry for a lower fineness of the silver coin. After the official discussions of 1854, the subject was temporarily allowed by the government to rest; but this did not meet the wishes of the people, who were desirous of seeing the problem settled. In 1856 it was accordingly resumed by the *Bundesrath*, and expressions of opinion were received from the Chambers of Commerce of Zurich and other places, as well as from many mercantile and banking associations — notably those of Berne and Basel.[4] Speiser, the monetary expert

[1] See SOETBEER, *ante cit.*, p. 84.

[2] *Botschaft des Bundesrathes vom 14 Juli, 1854*, also BURCKHARDT-BISCHOFF, *ante cit.*, p. 7.

[3] See references given in chap. i; also *Intelligenz-Blatt* of Basel, Feb. 1–March 5, 1854, for gold side of the argument.

[4] See BURCKHARDT-BISCHOFF, *ante cit.*, p. 7.

formerly active in pushing through the law of 1850, urged, in a document which received the support of the Bank of Zurich (of which Speiser had been a director), the admission of gold. He further argued strongly for a fineness of .8 for silver.[1] But, although the process of driving out silver was still going on at a rapid rate, the assembly merely announced the opinion that "it is best to hold fast to the coinage system based on silver as heretofore and not at present to enter upon the admission of gold at official rates."[2]

This timid utterance did not find much favor. The communication of Speiser, just referred to, was enthusiastically endorsed by the Swiss *Bankvorsteherschaft* (Bank Directors' Association), which, led by Ott-Trümpler and other bankers and financiers, began an agitation through pamphlets and the press. Other banks and financial institutions of various sorts were not slow to follow suit. The result was that soon the old basis was almost completely discarded in common trade. All commerce was by tacit agreement based on the so-called "Bankvaluta," and bills of exchange were accordingly drawn in "francs of France;" in other words, they were practically made payable in French gold.

So far did this usage prevail that at length, although five-franc pieces were slightly more plentiful in 1858, even the government was able to overlook it no longer. In 1859, the *Bundesrath* finally brought itself to acknowledge in the following terms the part played by gold in the circulation: "The national and cantonal treasuries can no longer withstand the urgency of circumstances; the gold standard has become matter of fact, whereas the silver standard remains standing only on paper, and one can without exaggeration assume that nine tenths of all transactions in Switzerland are performed by means of gold, and especially through the agency of the 20-franc pieces."[3]

Having once been brought to this point, the Swiss finance

[1] *Ibid.*, p. 9.

[2] See SOETBEER, *ante cit.*, p. 84, and BURCKHARDT-BISCHOFF, *ante cit.*, p. 8.

[3] SOETBEER, *ante cit.*, p. 85.

department found further steps comparatively easy. September 30, 1859, the cantonal governments, banking establishments, and economists received from the department a circular propounding five questions, on the relative merits of the bimetallic, gold, and silver standards.[1] Of the fifty replies all save three condemned the existing system, and far the larger number urged the unconditional extension of the legal-tender quality to French gold coin.[2]

The great opportunity offered to the controversialists by the prospect of action on the part of the *Bundesrath* was not neglected. The controversy between journalists and pamphleteers increased in violence.[3] All this was not without its effect on the Federal Council. Its report briefly reviewed the situation created by the invasion of the new gold, and surveyed the monetary problem as existing in the various countries of the world. It was fully recognized that, as at present constituted, the Swiss monetary system was almost dependent upon the French; and the report entered at great length into the complex relations resulting from this state of things.[4] In general the belief that an expectant attitude could no longer be profitably sustained was expressed. It was impossible to exclude gold. The report therefore thought best to admit it at a fixed rate, thus practically adopting the French double standard, while at the same time a lower fineness for subsidiary coin was recommended. A draft of an *arrêté* to this effect was submitted.

These propositions of the federal council were made the subject of a report by a committee of the national assembly of January 14, 1860. After a study of the French law of 1803, it pronounced the opinion that the French double standard owed its existence to an unintentional blunder in legislation. In the

[1] For text see CHERBULIEZ, "La Question monétaire en Suisse," *Journal des Économistes*, 1860, i. 1, p. 42.

[2] In the *Botschaft des Bundesraths vom 31. Dec., 1859.*

[3] See notably KELLER, *Gold- und Silberfrage*, 1860; *Die Münzverhaltnisse der Schweiz, von O. T.*, 1859; *La Question monétaire en Suisse*, CHERBULIEZ, *Journal des Économistes*, 1860, i. 1, p. 40 *et seq.;* FISCHER, *Gold und Silber, eine Antwort, u. s. w.*

[4] See CHERBULIEZ, *ante cit.*

words of the report, the existence of the double standard was an involuntary result of the law of 1803. Such a blunder, it was thought, should not be repeated by the Swiss federal assembly.[1] "We adopt the gold standard," said the report, "in submission to a necessity which springs from the history of modern civilization."[2] Nevertheless, it was believed that such a step as the coinage of gold would be hazardous for so small a country, and adherence to the policy of admitting gold coins struck after the French standard was therefore considered expedient. The decrease in the fineness of silver coin, proposed by the *Botschaft*, was supported by the report of the committee, and the standard of .8 was advocated; although it was recognized that such a step would lay Switzerland open to the charge of having, by implication at least, completely abandoned the silver standard.

The report of the committee was, in general, well received; but the bill passed upon it, and soon after submitted by the federal council to the national council, contained, among other modifications, an explicit statement that the Swiss monetary unit should in future be expressed only in its "quintuple value," the five-franc piece. This innovation did not meet with the approval of the *Conseil des États*, and, January 30, the suppression of this new clause was recommended by a committee of the *Conseil*.[3] In accordance with this view, the *Arrêté* in its final form, and with the objectionable clause eliminated, was introduced on the following day, January 31, 1860, and received the legislative approval. It substantially followed the report of the committee of the 14th inst.[4] Two days later, on February 2, 1860, a supplementary act authorizing the coinage of 1 million francs in one-franc pieces and 2 million francs in two-franc pieces, at the new fineness, was passed.[5]

Henceforward Switzerland, even more than previous to the law of 1860, was to find in France a monetary arbiter. The first direct step toward the formation of the Latin Union had been taken.

[1] *Botschaft*, *ante cit.*, pp. 10 *et seq.*

[2] *Ibid*, p. 11.

[3] See CHERBULIEZ, *ante cit.*

[4] For text see *ibid.*

[5] *Ibid.*

CHAPTER IV.

THE COINAGE DIFFICULTIES LEADING TO THE FORMATION OF THE LATIN UNION, 1860–1865.

After the French Commission of 1858 had rendered its report, public opinion in France remained for some time in an uncrystallized condition. The monetary controversy, however, lost none of its violence. Nor was the source of inconvenience removed, for the exportation of silver subsidiary coin continued, and the absorptive power of the Orient apparently did not diminish. Consequently a solution of the monetary problem became more and more a pressing necessity. By 1860, it began to be seen that energetic action on the subject must not be delayed, and, if possible, should not be confined to France, but should be taken by her in concert with the other countries possessing the same monetary system. Among these, Belgium and Switzerland were naturally most conspicuous.

As we have just seen, the need for change in the monetary system had been forced upon the attention of Swiss legislators by the invasion of French gold, and, upon the recommendation of the Swiss commission of 1859, the law of January 31, 1860, had lowered the fineness of Swiss silver coin, of denominations lower than five francs, to .8. The result of this measure might easily have been foreseen. Recoinage was immediately begun, and, by the end of 1863, no less then 7 million francs in two-franc pieces and 3.5 million francs in one-franc pieces—a total of 10.5 million francs[1]—had been struck. These being of a reduced fineness and containing 10 per cent. less fine silver than the French and Belgian coins of the same denomination, although exactly resembling them in weight, appearance, etc., were, of course, imported into France and Belgium in no inconsiderable amounts; and there served to displace the old coins which, when

[1] *Conférence monétaire entre la Belgique, la France, l'Italie, et la Suisse, 1874, Séance du 24 Jan., Annexe B*, p. 72.

melted and exported, yielded a satisfactory profit.[1] During the two years that had elapsed since the report of the commission of 1855, the idea of the single gold standard had been slowly but steadily gaining ground, and public opinion had now nearly discarded silver as the possible basis of a monetary system.[2] This evolution, which was taking place in Belgium and Switzerland as well as in France, led, in the first-mentioned country, to the great debate of the early part of 1861, which, as has been observed in chapter II, resulted in the repudiation of the legislative measures of a decade before and the reëstablishment of the nominally double, but really single gold, standard on the same basis as then existing in France. But, having reached the same basis as France, the Belgian chambers dared go no further along the progressive course of action mapped out by the Swiss law of 1860. It was deemed best to wait, for it was not at all unreasonable to suppose that France would, in the immediate future, take decisive steps tending to place her monetary system on a more stable basis.

As we have noted, continual agitation was maintained by the press, and the export of small silver coin was considered a serious matter. Moreover, demands for a remedy were becoming strenuous. Twice in the session of the first semester of 1861 did the French *Sénat* devote its attention to the monetary question on the occasion of two petitions. The first of these documents demanded demonetization of the 50-centime pieces and the substitution of coins of 20, 40, 60, and 80 centimes.[3] But, although the author spoke vaguely "of the total lack of silver coins which renders the payment of unimportant demands difficult," he failed to suggest any remedy or to show how the

[1] "The silver piece of five francs disappeared first, and very soon the fractional coins were, in their turn, attracted outside, and the necessary quantity of fractional silver coin thus diminished to the great detriment of small transactions."—Message of the Federal Council of Switzerland of February 2, 1866. See also *Journal des Économistes*, 1866, i. 2, p. 284; LAUGHLIN, *History of Bimetallism in the United States*, pp. 147 *et seq.;* and COSTES, *Notes et Tableaux pour Servir a l'Étude de la Question monétaire*, pp. 6, 7.

[2] See the *Paris Constitutionnel*, December 1, 1859; *Salut public* (of Lyons), January 9, 13, and 17, and March 22, 1860; *Courrier de Lyon*, March 13 and 23, 1860; also, *Journal des Économistes* 1860, i. 2, 2.

[3] *La Crise monétaire, Journal des Économistes*, 1861, ii. 1, pp. 55.

substitution of coins of lower denomination for the 50-centime pieces would do away with the evil. Notwithstanding the fact that the petition itself was not to the point, it served to afford an opportunity for the monetary debate which had long been expected. On May 25, 1861, the question was discussed, and M. Dumas made an appeal for the adoption of the policy already pursued by Switzerland — that of recognizing the five-franc piece as the unit and reducing the fineness of all coins of lower denomination.[1] He urged the chamber to "seize the problem by the forelock and declare that henceforward the five-franc piece shall alone possess the conditions of fineness which the one-franc piece, as well as all the subsidiary coins, has hitherto possessed, and that, with the exception of the five-franc piece, silver coins shall be struck with a real value a little below their face value."

No decisive action on this petition was taken, and the next day[2] a much stronger one was brought in. This embodied in the form of a request the ideas expressed by M. Dumas on the preceding day, and they accordingly again received his warmest support. Much opposition was manifested by Chevalier, the champion of the single silver standard, as well as by others, but to no avail. M. Dumas proposed that the petition be placed in the hands of the Ministry of Finance for action. His view prevailed, and it was generally recommended that immediate action be taken, for the uncertainty in regard to the monetary future was already productive of great inconvenience to the bank,[3] as well as to business and other interests.

No time was lost by the ministry, and on June 15, less than two weeks after the close of the legislative debate in Belgium, a new commission was ordered by M. de Forcade, minister of finance. Thus it seemed that the "expectant attitude" of Belgium was about to be justified by a positive measure. It was not long before the commission brought in its verdict. Its work had been carefully outlined for it as being:

[1] *Ibid.*, pp. 6, 7. [2] May 26.

[3] For account of the difficulties of the bank, see *Journal des Économistes*, 1861, i. 1, p. 86 *et seq.*

1. To ascertain the causes which tend to diminish the circulation of fractional silver coin.

2. To examine the consequences of this situation and the nature of the inconveniences occasioned thereby.

3. To point out the measures which it would be useful to take in order that the fractional silver coin might satisfy the needs of the circulation and suffice for the payment of salaries and furnish the small change required in business.

Thus the field of discussion was not so indefinite as that allowed the preceding commission (that of 1858). On July 10, 1861, the commission recommended the maintenance of the five-franc piece at the fineness of .900 and the reduction of the new fractional coin to .835 in fineness.[1]

The suggestions of the commission were not immediately acted upon. Either the *Corps Législatif* was too timid, or the war prospects diverted attention from what were regarded as minor considerations, or it was thought that, on all accounts, a somewhat longer delay, in order to see if some change in the eastern trade might not affect the problem, would be preferable to immediate action. The work of the commission was not, however, destined to be fruitless. Little more than a month had elapsed, after the rendering of the report, when Italy practically embodied its suggestions in a new monetary system by the law of August 24, 1862.[2] It must not be supposed that the work of the commission had suggested to Italy the idea of lowering the fineness of her subsidiary coin. The Italian law had, in fact, been proposed as early as June 9,[3] but the report of the French commission and the prevailing opinion that these suggestions would certainly be acted upon by France and Belgium unquestionably had considerable weight in bringing about the passage of the law. In Italy, as in Belgium, the new political independence and need of unification and consolidation made steps toward a uniform monetary system seem prime requisites to constituting a new nation. The various Italian states, prior to the establishment of independence, had, like the Swiss cantons, each possessed

[1] See *Rapport de la Commission Chargée d'Étudier la Question de l'Étalon monétaire*, Paris, 1869, p. 3; also *Procès Verbaux et Rapport de la Commission monétaire* Paris, 1869, p. 4.

[2] Compare *Report of United States Monetary Commission*, vol. i. p. 252.

[3] See *Documents relatifs à la Question monétaire*, Brussels, 1868, pp. 6, 7.

a separate system of coinage and each had apparently prized it highly as a symbol of autonomy. But, with the desire for uniformity came the necessity either of selecting one of the old systems or of adopting a new one which should be of universal application. Fortunately, Sardinia already possessed the French decimal system. It was no more than natural that the state of Victor Emanuel should give to united Italy its monetary system as well as its sovereign; while the desire to compliment the French, to whose aid so much had been due, in a way peculiarly grateful to Napoleon, no doubt had full weight. Only in Sardinia and Placentia had the French system obtained, prior to the law of August 24, which imposed it upon the whole peninsula.[1]

By Art. I, a coinage system exactly similar to that of France with the lire as unit was provided for. The gold coins and the silver five-franc pieces were to be of the same fineness as the French—.900—but the silver coins of denominations lower than five francs were to be .835 fine. Silver five-lire (five-franc) pieces were granted full legal-tender power. Also, the coins of the three other countries which later constituted the Latin Union were granted a legal circulation in Italy, and the retirement of all non-decimal gold, silver, and bronze was decreed.[2]

The importance of this action on the part of Italy was considerable. As the fineness of .835 was later adopted by the Latin Union, this early action enabled Italy to get the start with her coinage, and when the *cours forcé* came, in 1866, she was able, by reason of the mutual reception accorded by the countries of the union to each others' coins, to exchange her coins of lower fineness for what were left of the old French and Belgian silver coins not yet withdrawn.[3] The law of 1862 had no sooner been passed than Italy went vigorously to work at the task of supplanting the old coins of the different states of the peninsula by

[1] Compare HAUPT, *Histoire monétaire de Notre Temps*, pp. 264 *et seq.;* COSTES, *Notes et Tableaux pour Servir à l'Étude de la Question monétaire*, pp. 50 *et seq.;* and *Report of United States Monetary Commission*, vol. i. pp. 242 *et seq.*

[2] Owing to the establishment of the *corso forzoso* this operation was not completed until the end of 1885, by which time 38.1 million of gold, 602.6 million of silver, and 28.3 million of bronze had been retired and recoined after the new system.

[3] Compare COSTES, *Notes et Tableaux, ante cit.*, pp. 50, 51.

new ones patterned after the French, and by the end of 1865 had coined as follows :[1]

	Gold	Silver 5-francs	Subsid. silver		
1862	39,097,560 l.	964,435 l.	2,098,295 l.	.900	fine
1863	66,025,300	......	32,082,873	.835	"
1864	12,172,600	601,935	30,696,351	.835	"
1865	68,705,190	4,010,835	41,937,106	.835	"

During the same period, old coins were withdrawn as follows :[2]

	Gold	Silver
1862	1,493,717 l.	8,215,535 l.
1863	4,704,616	61,390,092
1864	7,166,524	54,455,421
1865	11,094,256	116,182,699

Thus, the establishment of the new monetary system of Italy was already well under way at the time of the first meeting of the Latin Convention.

In the meantime, nothing was being officially done in France. Public opinion continued strongly to favor the gold basis and "the economic world was in accord in recognizing the impossibility of the double standard."[3] Beside the two petitions which had directly led to the appointment of the French Commission of 1862, various other attempts to induce governmental action had been made, and a particularly comprehensive petition by M. León, in which he set forth the necessity of a formal gold standard, had been presented to the chambers in June, 1862.[4] As has already been observed, all this was to no purpose.[5] The process of sorting out the less worn of the subsidiary coins for exportation,[6] which had already reached an advanced stage in 1862, went vigorously on during the year succeeding the report of the commission. In October 1863, the invasion of the

[1] *Conference monétaire entre la Belgique, la France, etc., Procès-Verbaux*, 1874, *Annexe C*, pp. 74, 75.

[2] *Ibid.*, p. 97.

[3] *Ou en est la Crise monétaire, Journal des Économistes*, 1861, ii. 1, p. 18.

[4] See *Moniteur*, June 5, 1862, for report. For text see *Journal des Économistes*, 1862, ii. 1, pp. 133 *et seq.*

[5] Cf. *Rapport de la Commission de 1861, ante cit.*

[6] *Des Monnaies Divisionnaires*, in *Journal des Économistes*, 1862, ii. 1, pp. 416 *et seq.*

French circulation by new Italian coin had already proceeded sufficiently far to be regarded as an additional danger.[1]

The hope that some alteration in the course of the trade which was driving silver to the East would come about, seemed to be signally disappointed (as may be seen from the table of imports and exports of gold and silver already given in chapter I.).[2] We have, moreover, already reviewed the history of the coinage down to 1860, and noted the sharp decline in the coinage of silver during the decade 1850–1860. In 1860, the coinage of five-franc and two-franc pieces sank to zero. This cessation marked probably the greatest extension attained in the use of gold at any time during French history, although it was not until 1863 that the extreme lower limit of the total annual coinage of silver was reached. It is scarcely necessary to recall why the suspension of the coinage of five-franc and two-franc pieces is noteworthy. These were the only silver coins at all used in transactions of any importance, and when the coinage of five-franc pieces was resumed in 1861, it indicated that silver was again being used (albeit to an extremely slight degree) in business. On this account, the decrease in subsidiary silver coinage was the more noteworthy, since it was a striking indication of the great lack of subsidiary coin which was now causing so much uneasiness. The coinage for these years may be thus summed up:

	Gold	Silver
1860	428,452,425 fr.	8,034,198 fr.
1861	98,216,400	2,518,049
1862	214,241,990	2,519,397
1863	210,230,640	329,610
1864	273,843,765	7,296,609
1865	161,886,835	9,222,394

The flow of silver to the East did not diminish but, on the contrary, largely increased. Whereas the excess of imports of silver into British India was 90.9 million rupees in 1862, it rose in 1863, to 125.5 and in 1864, to 127.9. The price of silver continued obstinately high as compared with gold.

[1] "Le Systéme monétaire Français," *Journal des Économistes*, ii. 2, pp. 29 *et seq.*

[2] See also Appendix IV.

Under these circumstances, no improvement in the monetary situation could be expected until either (1) the ratio should change or (2) some legislative step should be taken. Of the first mode of relief there seemed little to be expected. Consequently, agitation for the adoption of the report of the commission of 1862 was renewed and, in response to popular outcry, the *Corps Législatif* overcame its timidity so far as concerned the coins of 50 centimes and 20 centimes.[1]

The law of May 24, 1864, adopted, with regard to these coins, the recommendations of the latest commission, lowering their fineness to .835 and commanding the retirement and recoinage of the old types, while restricting the legal tender quality of the new coins to twenty francs at a payment, and ordering a coinage of but 30 millions. It was desired "that there should be created in each country a fractional silver coinage having a nominal value greater than its real value in such wise as to guarantee it from all exportation and without its nominal value being able to tempt to counterfeiting."[2] The object of the law was, however, not attained.

Owing to the difference in fineness between the French and Swiss coin (the latter being but .800 fine), it had been profitable to substitute Swiss for French and even for Italian coins. France had been the only country to take a decisive step toward remedying this situation. Even before the passage of her law of May 24, 1864, she had, by the decree of April 14, 1864, shut out the Swiss coins from the customs offices, etc., thus more or less discrediting them in all countries where the franc system prevailed. Circulation was impeded, and the ancient and precious uniformity so long enjoyed by France, Belgium, and Switzerland had vanished. Frontier trade was impeded, and travelers were subjected to inconvenience.

The situation was now more complex than ever before. While

[1] The government proposed to apply the new measures to all silver coins of denominations less than five francs. This was narrowed by the committee of the *Corps Législatif* to the 50 and 20-centime pieces.

[2] *Rapport de M. Gouin, Député au Corps Législatif, déposé le 28 Avril 1864* (*Moniteur, Avril* 29).

the changed fineness of the coin in Switzerland, Italy, and France in some measure hindered export of subsidiary coin, and the lack of such coin had become extremely vexatious, the new difficulties were affecting Belgium most seriously.[1] Whereas Switzerland had a coinage .800 fine, Italy one of .835 fineness, and France some coins of .900 and some of .835 fine, Belgium still retained the old fineness of .900, and admitted the French coins to full circulation. Coins of the other two states might also be found in the Belgian circulation. Belgium, as already shown in an earlier chapter, began to suffer more acutely than any of her neighbors.

The new law, as has been said, had not helped France. Less than eight of the 30 millions authorized were emitted in 1864, and less than nine millions in 1865. These small coinages were, as fast as they made their appearance, absorbed by speculators who, by various manipulations, were able to effect exchanges, and reap their profit in the old way, although this process was attended with greater difficulty than prior to the passage of the restrictive French law.[2] It began to be seen that the only way out of existing troubles would be by concerted action. The idea of international monetary action was not a new one. It had already been acted upon in the German convention of 1857, and had rapidly become the program of a considerable body of monetary theorists.[3] A union between Belgium, Italy, France, and Switzerland, for mutual regulation of the coinage on some basis, was urged very strongly from many quarters.

As Belgium had been the greatest sufferer, it was natural that the first overtures should come from her. In the earlier part of 1865, she accordingly made proposals to France. They were gladly entertained, and invitations to a joint monetary conference were accepted by Italy and Switzerland.

[1] See FAUCHILLE "L'Union monétaire Latine, Son Histoire," in *Annales de l'École Libre des Sciences Politiques*, Paris, October 1886, p. 511.

[2] Compare SERRIGNY, "Observations critiques sur la Convention monétaire du 23 December 1865," *Revue Critique*, vol. XXXIV, 1869, pp. 439 *et seq.*

[3] See *Revue Contemporaine*, October 1866.

CHAPTER V.

THE MONETARY CONVENTION OF 1865.

The chain of events which made the organization of some species of monetary league a necessity has now been sufficiently discussed. The semblance of monetary uniformity possessed by the states represented at the monetary convention of 1865 only intensified the annoyances to which their commercial relations were subjected, while the technical excellence of the franc system led the states to desire its continuance. Moreover, a departure from it was admitted to be almost impossible. The new coinage of Italy, the close commercial relations of France and Belgium, as well as the nature of their stocks of coin, and the monetary dependence of Switzerland on France, bound the three smaller countries to France by the tie of a common interest. Nor was France willing that the bond should be broken. We need not recapitulate the political and economic interests which led her to desire an extension of her coinage system; it is enough that they were many and vital.[1]

In order to gain a comprehensive understanding of the convention of 1865, we shall first consider the question of standard in so far as it occupied the time of the delegates, taking up (1) the history of the bimetallic discussion in the convention, and pointing out every instance in which this subject was touched upon, and (2) the arguments in favor of and against the single gold standard. It will then be possible to consider the technical points in regard to the silver five-franc pieces, the gold coin, and the subsidiary silver, as well as the various minor provisions of the treaty as evolved in the convention.

[1] The first meeting of the convention of 1865 was held on November 20, and its work was completed in five subsequent meetings held respectively on November 27, December 1, December 6, December 21, and December 23. The delegates were eleven in number, two from Belgium four from France, two from Italy, and three from Switzerland.

The speech with which M. de Parieu opened the first meeting[1] hinted obscurely at the question of the standard, but did not propound it as by any means the most important point to be considered. He seemed rather to regard the minor problem of the silver subsidiary coin as the real crux. This was eminently natural. France had seen her silver five-franc pieces disappear from circulation without feeling the slightest regret, and it was only when the difficulties and conflicting legislative measures of the various countries, in regard to the disappearance of subsidiary coin, had sharply called her attention to the dangers of the situation, that she had come to regard the state of things as in any sense alarming. It was not strange, therefore, that France did not regard the question of the standard as of primary importance. Her subsequent attitude showed that the preservation of the *status quo* was what she believed to be most advantageous and expedient. Hence the list of eight questions for discussion read at the close of the president's speech did not include under any of its categories the slightest mention of the bimetallic question, but concerned itself almost wholly with subsidiary coin.

The attitude of the foreign delegates was entirely different. In replying to the president's speech, each of the countries represented indicated succinctly its preference for the gold standard, thus coming close to the real question at issue.[2] It was categorically laid down by Belgium, Italy, and Switzerland that the coming treaty must, in order to remedy efficaciously the real difficulties, take some definite action in prescribing a standard.[3] Owing to the general demand for a formal recognition of the problem, the president therefore added to the list of eight questions a ninth, in which this problem was proposed. It was, however, not until a late stage of the first meeting that opportunity was offered for a consideration of the bimetallic question. The debate was then chiefly sustained by M. Kreglinger who, in a long address, detailed the considerations which had led his

[1] *Conference monétaire internationale entre la Belgique, la France, l'Italie, et la Suisse, Procès-Verbaux, 1865, Séance* 1, pp. 3 *et seq.*

[2] *Ibid., Séance* 1, pp. 7 *et seq.* [3] *Ibid., Seance* 1, pp. 30 *et seq.*

government (the Belgian) to prefer a single gold standard.[1] In closing, he made a formal demand for such a standard.[2]

The demand thus made by Belgium was warmly supported by the Swiss delegates. Nevertheless it was maintained by France that the question of standard had no place, save incidentally, in the deliberations, and the representatives of the smaller countries were requested to secure more definite instructions on the scope which their governments desired to give to the treaty. M. de Parieu even declared that "the necessity of henceforth adopting a single standard would be an obstacle to the understanding which it would, in the meantime, be so desirable to establish."[3]

The next reference to the subject is found in the proceedings of the second meeting, when Italy formally announced, through her representatives, a desire for a single gold standard. No opportunity, however, was given for discussion of the subject at this time, nor was the matter again alluded to until near the close of the third session, when M. de Parieu expressed his regret that the problem of the standard had not received a more thorough treatment.[4] This, however, merely called forth from the delegates of the three smaller governments the reply that they had already urged the adoption of gold. The final reference made to the standard during the convention was in the course of the discussion on the preamble of the treaty, when Feer-Herzog, a Swiss delegate, expressly pointed out that the treaty was not "intended to give a new sanction to the principle of the double standard." This opinion was confirmed by the president, and the matter was not again touched upon.[5]

Little need be said in regard to the definite arguments on one side or the other of the gold and silver question. They were not stated at great length. Most of the important points urged were raised in the speech of M. Kreglinger, the Belgian delegate, to which reference has already been made. These arguments have been discussed in chapter II, but it may be well here to recapitulate them briefly. They were these :

[1] *Ibid.*, *Séance* 1, pp. 21–30. [2] *Ibid.*, *Séance* 1, pp. 30, 31.

[3] *Ibid.*, *Séance* 1, p. 30. [4] *Ibid.*, *Séance* 2, pp. 72 *et seq.* [5] *Ibid.*, *Séance* 4, p. 89.

1. That the so-called bimetallic régime did not maintain in concurrent circulation the two metals.[1]

2. That it exposed the countries which used it, and particularly Belgium, to a progressively depreciating standard of value.[2]

3. That it subjected the various countries to an alternating standard of value which produced financial stringency:[3] *a*) By draining specie from the bank reserves; *b*) by thus forcing the banks to raise their rate of discount.

The other delegates who mentioned the subject did not attempt to enter into any extended discussion of the points at issue. M. Feer-Herzog, indeed, expressed a belief that the single gold standard was best suited to the future needs of a growing commerce, but he did not attempt to support his position by argument.

On the other side little was said. To the wish of the smaller countries for gold was opposed the desire of France for a double standard, while no arguments were advanced in support of her position save that the double standard had "rendered her great services" and that it would "lend itself to the possibilities of the future and to the needs of commerce."

It is certainly remarkable that the discussion of the most vital problems presented to the delegates should have been passed over in this apparently negligent way. The omission can only be accounted for by supposing either that the smaller countries believed that resistance to French influence would be useless, and so abstained from it, or that they did not consider it strictly within the scope of their powers to take action on a question so important. But, from whatever point of view we regard it, it is abundantly clear that the treaty[4] was in no sense intended as a bimetallic agreement. In order to see whether in reality it was so or not, we have only to note that the weight and fineness of gold and silver standard coin were so regulated that the mint ratio of gold to silver was 15½ to 1, and that these metals were neither of them subject to any restrictions as to amount of

[1] *Ibid.*, *Séance* 1, p. 22.

[2] *Ibid.*, *Séance* 1, p. 22.

[3] *Ibid.*, *Séance* 1, pp. 23 *et seq.*

[4] For translation, see Appendix I.

coinage. Bearing in mind the fact that, at the ratio of 15½ to 1, silver commanded in the open market a considerable premium over gold, we are led to the conclusion that:

1. The treaty practically preserved the *status quo* in France, and, so far as possible, imposed it upon the smaller states.

2. Although the treaty thus *practically* preserved the gold standard, it nevertheless retained a fictitious double standard.

3. Notwithstanding the fact that the allied countries were nominally left free to choose their own standard, it is clear: *a*) That the choice of a silver standard was a logical and practical impossibility; *b*) that the choice of a nominal single gold standard, in addition to the practical gold standard already secured, would have been wholly invalidated under the *régime* prescribed by the treaty, in case of a possible change in market ratio of gold to silver. No such standard could have been maintained had each state been required to receive the standard silver coin of all the confederated states at its public treasury.

4. Hence France practically dominated the smaller states to the extent of imposing on them her hybrid system.

5. The treaty was not a bimetallic agreement any more than the law of 1803 was a bimetallic agreement.

Thus the treaty of 1865 failed in a vital point. In not definitely prescribing and regulating the relations of gold and silver, it shirked a primary responsibility. It was this omission that was the cause of the difficulties into which the union afterward found itself plunged.

The basic error thus committed was supplemented by another, hardly less serious. If the coinage of gold and silver was to continuc free at 15½ to 1 with mutual reception by the states of each other's coins, one of two things must happen: (1) either there would be practically no coinage of the relatively dearer metal, or (2) if the market ratio should change and the metal at first dearer should become the cheaper and be coined in any great quantity, the international redemption of one or the other of these metals would have to be provided for. It was this omission which led to the difficulties of 1885, in the course of

which the union was nearly broken up. The omission was unquestionably a blunder. If international redemption was anticipated, it should have been provided for, since the Latin Union might at any moment cease to exist. If it was not anticipated the farce of a double standard had no place in the treaty. Since much more of the coin of the smaller states of the union would be likely to flow into France than of French coin into their territory (for France regularly had a balance due her) it was not probable that she would lose any of her influence, and the hold thus once gained was not likely to be lost.

It is now necessary to look more particularly and carefully at the various technical problems concerning the silver coin as well as to touch slightly upon the dispositions regarding gold. As it was, most immediately, the difficulties regarding subsidiary silver which had called the convention into existence, it was not unnatural that that body should devote much attention to obviating these troubles. We shall not here discuss the question whether the silver five-franc piece should retain the fineness of .900 or should be reduced in fineness. Once it was decided that the five-franc piece should be retained as a standard coin, it became, for the time being, less important than any other coin in the whole category, for it could not be coined in large amounts so long as the current market ratio kept it at a higher value than gold with reference to the standard of 15½ to 1.

We come, then, to the problem of the subsidiary coin. There was no question more hotly debated. Only minor theoretical problems presented themselves, but, on the other hand, the practical obstacles to an understanding were numerous. Principal among these were the varying standards of fineness already in use. In Belgium, it will be remembered, the old fineness of .900 still existed. In Italy, .835 was the official standard. In Switzerland, .800 had by the law of 1860 been set as the proportion of silver to alloy. In France, the law of 1864 had authorized an issue at .835, while the standard of .900 still, for the most part, prevailed. It was, of course, the desire of every country to secure the adoption of its own standard of fineness. The standard of .900

had definitely been abandoned, and, although it was suggested that it be retained with a lowered *weight* for the subsidiary coin, the plan met with no favor. The abandonment of the fineness of .900 left Belgium and France free in their choice. New coinages must be had in both countries for, with the exception of the new French coinage of 1864, they must, in any event, completely renovate their subsidiary coinage systems, and it made little difference upon what specifications they did so. The new French coinage of 1864 was practically no bar to a change, for only 30 million francs had been authorized[1] and should such a step be rendered necessary, its retirement would be little hardship for France. The contest was thus practically narrowed to Italy and Switzerland. Both had, as we have seen, new coinages, and neither boasted of very abundant resources.

On the first occasion when the subject came up, the determined attitude of the Italian delegates forced the Swiss to give way provisionally. It was not long, however, before the Swiss Federal Council made a formal demand that the fineness of .800 be adopted.[2] This at once reopened the discussion. On the side of Switzerland it was urged:

1. That a low fineness avoided the danger of a possible recoinage, necessitated by a change in the market ratio of gold to silver.

2. That the public at large preferred the standard of .800.

3. That the Federal Council "would have great difficulty in accepting the change."[3]

4. That an .800 standard lessened the danger from counterfeiting.

On the other side it was shown,[4]

1. That Italy and France had emitted coins .835 fine to many times the amount of those issued by Switzerland.[5]

2. That for Italy to retire her circulation would be a practical impossibility.

[1] *Bulletin des Lois*, 1170–1221 An. 1864, 1 Semestre, Art. 7 of law.

[2] *Conférence monétaire internationale entre la Belgique, la France l'Italie et la Suisse Procès-Verbaux*, 1865, *Séance* 2, p. 43.

[3] *Ibid.*, *Séance* 1, p. 16. [4] *Ibid.*, *Séance* 1, p. 14. [5] *Ibid.*, *Séance* 1, p. 12.

3. That Belgium, which was free in its choice, preferred the standard of .835.

4. That .835 was a better fineness for the coins, on account of technical conditions of manufacture.

5. That France had already suffered from counterfeiting and would admit no unnecessary danger in that regard arising from too low a fineness. The force of the arguments was so strongly on the side of .835 as the standard fineness that this figure was, therefore, adopted.

Thus Italy secured the most favorable terms she could have expected, since it would not now be necessary for her to retire the new coinage which she had just put out, it being, as we have seen, of the fineness of .835. On the other hand, Switzerland's coinage must be replaced by new coin. This, however, was not likely to prove a hardship, since Switzerland had prudently laid by a reserve fund equivalent to the profit on her new subsidiary coinage.

This discussion was naturally succeeded by a debate on the subject of international circulation and redemption. To secure a perfect homogeneity in the coinages of the various states was, of course, one of the primary objects of the convention. Yet there were differences of opinion as to how far the work of unification of obligations with regard to the subsidiary coin ought to be carried. Switzerland was more extreme in her demands than any of the others. She formally requested that the fiduciary character and equivalence of the subsidiary coin should be expressly stated,[1] and that an agreement whereby the states should undertake to accept to any amount the coin of other states, to cover their own issues by a reserve fund, to retire those coins whose devices had been worn away, and to redeem in gold subsidiary coin when presented in sums of 100 francs or more, should be entered into.[2] Further, the demand was made that the legal-tender quality of these coins between individuals should not exceed 20 francs, while they should be received without limitation in payments to the government. Several other

[1] *Ibid.*, *Séance* 2, p. 47. [2] *Ibid.*, *Séance* 2, pp. 48–52.

minor requests were also preferred. The excessive caution of Switzerland was probably due to her unpleasant past monetary experiences, and the hardships which her traders had suffered from the French exclusion of Swiss coin in 1864. Many of her demands, therefore, did not find favor. Articles 6, 7, and 8 of the treaty show which of her requests were finally granted and incorporated in the draft of the treaty. It was not deemed expedient to establish a reserve fund, nor was it thought possible to interfere with national penal legislation regarding counterfeiting. It was further thought that to make any and all subsidiary silver a legal tender would tend to impair the liberty of contracts. The final decision, therefore, was that the coin of each state should be redeemed by foreign treasuries, on demand of holders, in sums not exceeding 100 francs, while the home treasury should receive its own coin in unlimited quantities; that the legal tender limit should be placed at 50 francs between individuals, and that the countries should each redeem their own coin from the others in sums of not less than 100 francs (payable in gold or silver). This, however, left untouched the question of old Swiss coin, which requires a word of explanation. One object held in view by Switzerland when she formulated the demands already discussed, had been to insure ready reception and free circulation to Swiss subsidiary coin throughout the territory of the new confederation. Since a discrimination against them had been introduced by France in her law of 1864, Switzerland feared that this attitude would be perpetuated under the agreement about to be signed, unless preventive measures were promptly taken, now that a higher fineness than that of Switzerland had been selected. These fears were, however, groundless. If Switzerland became a member of the union no country would hesitate to receive the Swiss coin, pending their withdrawal, since it was impossible that more of the same fineness should be issued.

It was, nevertheless, quite natural that Switzerland should demand a guarantee, more especially since, as we shall see, a comparatively long period was to elapse before their outlawry.

Many of the delegates did not see why Switzerland should be so dilatory in the retirement of her old coinage, since she had established a reserve fund with that end in view, and, in truth, there seems to be no good reason for her slowness. After the duration of the treaty had been fixed, it was at length decided that, while all coin, French, Belgian, and Italian, minted under conditions other than those prescribed by the treaty, should be retired before 1869, those of Switzerland were allowed to remain in circulation until January 1, 1878, and by a separate article (Art. 7) the faith of the union was pledged for their reception into the public treasuries of the various states, on the same terms with other coin up to the date specified.[1] As a further guarantee for redemption of subsidiary coin, the obligation to redeem was prolonged two years beyond the date of the expiration of the treaty (Art. 8).

The next important question was that of the quota of subsidiary coin to be allowed each state. Even with the clause of redemption, it would not be expedient to allow each state to issue the overvalued subsidiary coin at will, to an indefinite amount. The fixation of the limit, therefore, became a pressing and difficult problem. Conditions, both commercial and social, varied widely within the territories included in the compact. All problems relating to token money had, at an early stage of the convention, been ruled out as extraneous and without the scope of the deliberations. But Switzerland was very largely supplied with token money, while, on the other hand, Italy had a less liberal supply. In Belgium, token money filled an important place, for it had usurped the place of the 20-centime piece, to some extent, during the difficulties with the silver circulation between 1850 and 1860. In France, neither the 20-centime piece nor the token money filled a place of great importance. Switzerland demanded that the 20-centime piece should be excluded from the list of official coins,[2] but Italy threatened that, should the request be granted, she should feel obliged to withdraw from the union. Thus a serious difficulty manifested itself at the very beginning

[1] *Ibid.*, *Séance* 5, pp. 102 *et seq.*

[2] *Ibid.*, *Séance* 1, p. 19.

of the attempt to apportion the subsidiary coin to each state, for, where token money was abundant, a less resourcc of subsidiary coin was necessary, and, in the more advanced commercial countries, the *per capita* circulation of these coins needed was likely to be somewhat less than in the others. It was thought that the need for subsidiary coin would vary from 12 to 3 francs *per capita*. This was the opinion of the banking interests.[1] In view of the evident difficulties of the problem, it was proposed that no limit whatever should be set, or that the coin should be emitted from one mint, on which the various countries might make requisitions at will according to their needs.[2] But the impracticability of this latter plan was clear, and, on the basis of the estimate already presented, the figure of six or seven francs seemed most expedient.[3] It was thought better thus to have a uniform limit, since the redemption clause of the treaty was pretty sure to maintain an easy flow of coin wherever it was needed. Statistics were adduced by M. Fortamps, showing that France, from 1803 to 1860, had had only 209 millions of fractional coin, equivalent to a figure of about five francs *per capita*. He, however, wholly overlooked the fact that the unit, hitherto the franc, was henceforward to be the five-franc piece, and that the estimate of 209 million francs omitted the two and one-franc pieces from consideration. The figure of six francs was nevertheless adopted, and it was decided to base it upon the latest returns of the last census, plus the probable increase in population up to the time when the treaty was to expire. The calculation led to the following result:

Country	Total presumable population, Dec. 31, 1879	Coinage quota at 6 francs *per capita*		
Belgium	5,237,535	32	million	fr.
France -	39,820,268	239	"	"
Italy	23,368,367	141	"	"
Switzerland	2,697,963	17	"	"

The second paragraph of Art. 9 provided that these figures were to include the amounts issued in those states which had

[1] *Ibid., Séance* I, p. 12. [2] *Ibid., Séance* I, p. 13. [3] *Ibid.*, p. 13 *et seq.*

recently introduced new coinage laws. This applied to all the four countries except Belgium, which had made no such change.

It had been a cardinal point in the first schemes for a monetary union that it should be so managed as to attract to itself other European states. The right of accession was therefore, by unanimous consent, left open to any state which should accept the obligations of the union (Art. 12). In order to insure stability to the new system and to avoid the possibility of a recoinage at too near a date, as well as to afford Switzerland ample time to withdraw her coin, M. de Parieu had urged the necessity of a reasonably long continuation of the treaty. He advocated a duration of ten years, but the first draft of the document extended the time to fifteen years. Probably the real object was to afford a length of time sufficiently great to enable the benefits of the union to become known and secure the adherence of more countries, thus extending French influence.

We shall not here enter at length into the technical points regarding the fabrication of the coin. It is enough to say, in general, that the specifications conformed to those of the new Italian coinage, and where they differed, in the first draft of the treaty, they were later changed in conformity with the Italian regulations. The tolerance of weight for all the coins was definitely fixed. This obviated difficulties arising from worn coin.

The gold coins adopted require little comment. Gold was maintained at the old fineness of .900 with a complete list of coins. The pieces of seventy-five and forty francs were, indeed, omitted, but they had never played an important rôle and their places had been usurped by the more convenient denominations.

On all the coins the date of issue was to be stamped, and information on monetary matters was to be anually exchanged. These provisions were intended as useful measures for mutual protection. Italy, in particular, had not been in the habit of stamping her coin with the date of fabrication, and monetary statistics were, in most of the states, in a chaotic condition.

Practically all of the treaty stipulations have now been enumerated. It is to be noted that the treaty

1. Insured uniformity in the coinages of the contracting states.

2. Obviated the troubles with fractional coin by lowering its fineness.

3. Insured an international circulation.

In so far as these were steps toward the ideal of monetary uniformity which was then so much discussed, they no doubt tended to have a beneficial effect. As overcoming the difficulties arising from the disappearance of small coin and the conflicting legislative enactments which were its offspring, the treaty was worthy of the highest praise. In these respects, it no doubt afforded increased security to trade and industry in general. Nor can we doubt that it set the example for the international conferences on monetary subjects, and led the way to a more thorough and systematic setting forth of monetary information. Evidently it was the opinion of the various European states that there was danger in the attitude thus adopted, for although, as we shall see, some of them were led to conform more or less closely to the French monetary system, none, with the exception of Greece, were willing to incur the consequences and responsibilities of the quasi-bimetallic policy of the union. In general, our verdict must be that the treaty of 1865 was a compromise. Its success depended on the maintenance of the existing market ratio between gold and silver, *i. e.*, the preservation of the gold standard then practically existing. Thus the treaty placed the coinage systems of the four countries in unstable equilibrium.

CHAPTER VI.

FRENCH INFLUENCES DOMINANT IN THE FORMATION OF THE LATIN UNION.

Our study of the genesis of the Latin Union has shown us that the dominating influences at work in the formation of the league were French. It is true that Belgium had been the country to make the first overtures, but it is also noteworthy that the immediate difficulties which led Belgium to take this step had been induced by French legislation. As French laws had led to the Belgian advances, so also the French influence had been thrown into the scales to overbalance the desires of the smaller countries for a gold standard, and to impose upon them the French so-called double standard.

Ordinarily the organization of the monetary league is regarded as directly attributable to the new gold.[1] From one side, the justice of this view cannot be contested. It cannot be doubted that it was the new gold that, by its perturbing influence upon the monetary circulation, led the countries which later composed the Latin Union to look about for relief. This movement has, in fact, so far been the exclusive object of our study. As a consequence of the influx of the new gold, there came the technical difficulties and friction in trade and industry which have already been recounted, but it may well be doubted whether these would have brought about the result actually produced, had it not been for other circumstances whose force was felt just at this time. These were (1), the desire for international action on the monetary question, and (2), the political aspirations of the French emperor.[2]

The desires for international monetary action that about this time first made themselves felt are familiar. They varied in

[1] See FAUCHILLE, "l'Histoire de l'Union monétaire Latine," in *Annales de l'École libre des Sciences Politiques*, 1886.

[2] Cf. LAUGHLIN, *History of Bimetallism in the United States*, p. 149.

their manifestation from the pronounced views of those who demanded absolute regulation of the monetary standard by international agreement to the milder, but almost equally Utopian, wishes of those who merely advocated a uniform international coinage. It does not seem open to doubt that the Latin Union was partly an outgrowth of these popular desires. But, underneath this current of popular will, it seems more than probable that there was an even stronger controlling force. It is likely that the Latin Union was one of the many political schemes of the emperor Napoleon. Like Napoleon I, he wished to become a lawgiver to foreign nations, and regarded it as an aid to French influence abroad that the monetary unit and the monetary standard of France should be imposed upon outside states as the best that could be devised.[1] It was, no doubt, believed that such an extension of French laws would give a commercial and industrial influence which would render possible the attainment of more or less political strength for France in the countries which should join the monetary league. Vague dreams of the extension which might be given to the new monetary system seem to have been indulged, and indiscriminate invitations to join the league were on all sides lavished about.

It is by a study of these attempts to enlarge the scope of the Latin Union, and the progress actually made in that direction, that we shall be enabled to see just how far the international monetary cult and the Napoleonic longing for increased influence industrially, commercially, and politically, were successful in giving to the league a scope which in the language of a French delegate at the conference of 1865 "might even embrace the whole of Europe." We shall in later chapters try to see how far the system adopted by the treaty of 1865 really coincided with the desires and needs of the people at large. There can be no doubt that the system had been imposed from above, and that it did not spring spontaneously from the wishes of industrial interests. It has already been shown that the three smaller countries had shown a preference for the gold standard. It is also true

[1] See testimony of Mr. Bagehot in *H. C. Report of 1876*, Q. 1426.

that the French delegates were as anxious as their associates that the gold basis should be accepted. This is an interesting peculiarity. If no one in the conference desired the continuance of the old system why was not some other adopted? The answer is furnished by a government report[1] which, after narrating how the wish of the smaller countries for a gold standard had been strongly urged, declares, "The Minister of Finance, M. Fould, was then consulted. The French delegates were personally of a mind to agree to the wishes of Belgium, Italy, and Switzerland, but the minister . . . . *demanded the maintenance* of the *status quo* in so far as concerned the *silver standard* represented by the five-franc piece."

But, at this point, it may be queried why—admitting the soundness of the views just advanced—the French emperor should have preferred to a system recommended to him, as we shall presently see, by far the larger part of the monetary experts of the time and to which the nation at large had displayed its attachment, one which was

1. Out of harmony with the verdict of nearly all of the government commissions held both before and after 1865;

2. In disaccord with the state of things actually existing in France—only gold being really used for the transactions possessing any importance;

3. Distasteful to business interests in general, since it was feared that under bimetallism there might somehow be a return to the monetary *régime* obtaining prior to 1848;

4. Likely to hinder the extension of the Latin Union, owing to the fact that most nations at this time were tending toward the gold standard.

This question is difficult to answer in any satisfactory way. From the very nature of things, it could not be expected that there would be much information available upon the subject. Still, there are some indications which may be made use of in the search for an adequate governing motive. The closeness of the

[1] *Enquête sur la Question monétaire* (*Conseil Supérieur de Commerce de l'Agriculture et de l'Industrie*), 1872, vol. ii. p. 14.

relations between the administration and the Bank of France during this period is, of course, matter of common knowledge. The ambitious war projects of the Emperor Napoleon and the eagerness of France to come to blows with Germany rendered it desirable that a strong *entente cordiale* should obtain between the government and the bank, since through the bank must be floated the heavy loans which would be absolutely necessary in the event of a war, such as was now looked forward to with so much satisfaction. Thus a strong probability unquestionably exists that whatever might be said by the bank found a ready listener in Napoleon. The belief that the influence brought to bear by the bank actually shaped the policy adopted by the Latin Union has heen countenanced by no less an authority than Dr. Soetbeer.[1] Strong internal evidence that this was the case exists in the government documents and reports of the time, as may be noted when we come to study these sources of information more elaborately. This evidence is of a character such as would render impossible an extensive exposition of it at this point. It may, however, be briefly summed up in three general statements, which it will be well to bear in mind since they will furnish the clue to some events that would otherwise prove perplexing.

1. The bank was almost always strongly represented on all government commissions of investigation on the monetary question.

2. The policy urged by the bank was generally the recommendation of the commission, where the members were government appointees and could be controlled; and, where it was not possible to wield definite control, the opinions of the bank constituted a strong minority report.

3. The bank was always consulted by the finance minister before any important government step was taken, and its recommendations were *uniformly* followed.

These may seem mere ordinary coincidences. After a careful

[1] *Währungsfrage*, p. 29. See also LAUGHLIN, *History of Bimetallism in the United States*, p. 148.

study of the matter it is, however, the present opinion that they afford valuable evidence. Be this as it may, it is, in view of the probability just referred to that the emperor listened complacently to the requests of the bank, and of the fact that a supposed bimetallism was the policy actually adopted, interesting to note that the bank and the *haute finance* in general consistently and strongly favored the bimetallic policy.[1]

There appears, then, to be some ground for the contentions just advanced. It seems, in short, probable that the creation of the Latin Union was largely a political measure rendered opportune by the monetary difficulties arising from the new gold, and by the popular desires for international monetary action. Further, the belief seems amply justified that, once the formation of the league had been decided upon, the Bank of France

[1] Evidence on this point may be had in abundance. A few excerpts relating to the question may prove instructive. According to M. Rouland, governor of the Bank of France: "The real question then reduces itself to ascertaining whether these two kinds of money are still necessary. Those who reply no, err seriously. Gold is not as abundant as it is thought to be when one comes to study the circulation of it in the entire world, and when one reflects on crises past and future. . . To demonetize [silver] exactly at the time when the legal ratio of the law of the year XI exists between gold and silver, that is to say, when they are in perfect equilibrium, to affirm that gold is almost superabundant when its production is diminishing, to appeal to the future when the present is hardly assured, this is to content oneself with pure hypotheses and to expose oneself to error."—*Enquête sur la Question monétaire*, 1872, p. 68.

M. le Baron de Rothschild, regent of the Bank of France: "As for me, I do not believe [the single standard] practically realizable for France. How would it be possible to demonetize a sum of 15 or 16 hundred millions of silver. . . . Could one find gold to fill the vacancy? . It would be necessary to discover new mines of gold on purpose."—*Ibid.*, p. 110, 111.

M. de Waru, regent of the Bank of France: "The doctrine of the bank on this subject [bimetallism] has been perfectly explained by M. Rouland and M. de Rothschild. I agree entirely with what they have said."—*Ibid.*, p. 124.

Many similar expressions could be quoted from this document. In the *Rapport de la Commission monétaire de* 1869, an official communication on the subject of bimetallism was received from the bank, one passage of which ran as follows: "The services rendered by our monetary régime in the past and present, during crises and during ordinary times, cannot be overlooked; that is why it is important that this régime should continue to exist. . . . . Evidently France cannot renounce [her present monetary system] save at a time when the adoption of a universal money by all peoples with whom she entertains relations shall assure to her the facilities which she

and the *haute finance* were instrumental in once more dictating the policy to be adopted. Bimetallism afforded the best opportunity for profitable arbitrage operations, and it was only when the bank found itself obliged to pay gold and receive silver that it could bring itself to depart from a bimetallic policy. It is thought that this view will be sustained by the history of the Latin Union from the time of its formation to the outbreak of the Franco-Prussian war.

actually derives from her monetary régime. In a word, your committee, considering that the experience of sixty-five years has demonstrated the advantages of the monetary régime of the year XI and has not revealed inconveniences, ... is of opinion that this régime ought to be maintained." Pp. 199, 200.

In testifying before this same commission, M. Rothschild said: "The present state of things, that is to say, the simultaneous employment of the monetary metals is satisfactory and gives occasion to no complaint. . . . It appears to me, then, that there are real advantages in maintaining [silver] in the monetary circulation, and none in suppressing it." Pp. 117, 118.

M. Pinard, director of the *Comptoir d'Escompte*, said distinctly before this commission: "I am a partisan of what is known as the double standard." P. 125. Many other members of the *haute finance* were interrogated and gave testimony to the same effect.

CHAPTER VII.

THE SUSPENSION OF SPECIE PAYMENT IN ITALY AND ITS EFFECT ON THE LATIN UNION.

From the outset the Latin Union was forced to struggle with unforeseen difficulties. The treaty had scarcely been ratified, when an apparently insuperable obstacle to its success appeared. On May 1, 1866, the *cours forcé* was established in Italy. For a long time, the deficit in the Italian budget had been developing into a chronic malady, and the perturbed condition of the country rendered industrial enterprise well-nigh impossible. Hence imports soon largely exceeded exports, and trade became demoralized.

From 1860 to 1865 the official budgets had been as follows:[1]

	Receipts (millions lire)	Expenditures (millions lire)	Deficits (millions lire)
Total	3,150	5,496	2,345
Average	525	916	391

In order to get rid of the deficit, all sorts of measures had been resorted to. From 1861–1865, the taxes had been increased by 45 per cent.,[2] immense loans had been contracted, and it had been decided to confiscate at least a part of the property of the religious corporations. Toward the end of 1865, the budget for the coming year had been introduced, and a final deficit of 210 millions was found to exist. This, it was hoped, might be overcome by certain taxes; but these proved unreliable, and it was found necessary to float a new loan. All this was no new experience for Italy, nor does it seem likely that it would have overwhelmed her financially, had these events not been the climax of a long course of deficit financiering and depressed industrial conditions. In order the more thoroughly to comprehend the effect of these conditions on the circulation, it will be necessary to examine cursorily the financial condition of Italy

[1] *Annuario Statistico Italiano*, 1884, pp. 1054–1068.

[2] *Quarterly Journal of Economics*, January, 1889, p. 24.

at the close of 1865. From the first, the new government had relied very largely on loans. These had been as follows:

	Millions lire
1860 (July)	150
1861 (July)	500
1863 (March)	700
1865 (May)	425

Adding to these the loans which had been made before the Italian consolidation and which had now been assumed, as follows:

	Millions lire
1858 (July)	40
1859 (February)	50
1859 (October)	100

we get a grand total of 1965 millions of lire,[1] the debt with which the Italian government was now struggling. It was only by means of these heavy loans that Italy had been enabled to retain any of her coin, since the balance of trade had for some years been uniformly against her, and would have necessitated heavy exports of specie, had it not been for the fact that the new Italian kingdom had found its credit unexpectedly good abroad, thanks to the kind offices of the French emperor. The exact figures for the flow of the precious metals were as follows:[2]

	Import (millions lire)	Export (millions lire)	Diff. in favor of import (millions lire)
1862	830.02	577.47	252.56
1863	902.19	633.86	268.33
1864	983.78	573.47	410.41
1865	965.17	558.29	406.89
Annual average	922.91	588.27	334.64

Thus from 1862–1865 Italy gained about 1338 millions of lire. This balance was paid by the issue of *rente* floated chiefly abroad at prices ranging from 80 per cent. to 65.25 per cent. It hardly needs to be said that this condition of affairs could not last long. The sudden popularity which the Italian public stock had enjoyed on foreign markets did not prove very durable in view of the

[1] For these figures refer to "Analyse de l'Enquête sur le Cours Forcé en Italie, *Journal des Économistes*, 1874, i. 1, p. 223.

[2] *Annuario del Ministerio delle finanze del regno d'Italia*, 1873.

continued deficit and the prospect of further war. The reaction speedily made itself felt, and the securities were no longer a favorite speculation on foreign markets. The result was that *rente* was soon lower abroad than in Italy.[1]

It naturally resulted from this condition of affairs that *rente* was returned to Italy very freely. This movement seems to have begun as early as 1864. By the opening of 1866, it was in full swing, and the gloomy political prospects[2] led foreign holders to rush their blocks of stock upon the market at any price that could be had. The price of the *rente* had shown great dependence upon the political situation, and at the declaration of war with Austria it fell to the lowest point it had yet reached.[3] Whereas the preceding years had been a period of importation of specie by Italy, the reverse was now the case. Thus the

[1] See *Mésures Proposées pour l'Abolition du Cours Forcé, Exposé des Motifs et projet de Loi, presenté a la Séance de la Chambre des Députés de 15 Novembre, 1880. par M. Magliani, Ministre des Finances, de Concert avec M. Miceli, Ministre de l'Agriculture et du Commerce*, p. 17.

This is easily seen by the following figures which give the average price of *rente* at Florence and at Paris:

	Florence	Paris
1865	65.22	65 46
1866	56.54	54.08
1867	53.32	50.02
1868	55.20	51.03
1869	57.11	55.42
1870	57.13	54.23

[2] In April it seemed that Prussia and Austria would declare war. Then came a lull, and, April 8, a treaty was signed with Prussia. War was, however, declared by Italy against Austria on the 30th.

[3] These movements may be briefly summarized as follows:

1860	April	85 %	Garibaldian expedition to Sicily.
1862	January	63	
	May	73	
	August	69	
	October	74.5	Battle of Aspromonte.
1863	March	69	
	June	73	
1864	January	69	
	May	70.5	
	September	68.5	Agreement with France for removal of capital from Turin to Florence.
	October	64.5	
1865	January	64	
	May	67	Removal of capital to Florence.
	June	64	
1866	February	61	
	April	53	Opening of war with Austria.
	May 1	40	*Cours forcé.*

political, financial, and industrial conditions were combining to force a great credit crisis upon the nation. The movement of specie is clearly seen by a brief summary of some customs reports.

EXPORTS AND IMPORTS OF PRECIOUS METALS BETWEEN FRANCE AND ITALY.[1]

FIRST PERIOD.

Years	Exports from France to Italy	Imports into France from Italy	Excess of exports from France to Italy	Excess of imp'ts into France from Italy
1860.........	£2,852,000	£2,356,000	£ 496,000	£........
1861.........	4,232,000	2,044,000	2,188,000	....
1862.........	4,392,000	2,116,000	2,276,000	....
1863.........	8,080,000	3,824,000	4,256,000	....
1864.........	5,836,000	5,928,000	....	92,000
1865.........	6,688,000	5,784,000	904,000	....
Totals for 6 yrs.	£32,080,000	£22,052,000	£10,028,000	....

SECOND PERIOD.

Years	Exports from France to Italy	Imports into France from Italy	Excess of exports from France to Italy	Excess of imp'ts into France from Italy
1866.........	£3,064,000	£9,108,000	....	£6,044,000
1867.........	1,140,000	7,256,000	....	6,116,000
1868.........	2,740,000	2,816,000	....	76,000
1869.........	596,000	4,064,000	....	3,468,000
1870.........	352,000	3,552,000	....	3,200,000
1871.........	232,000	4,620,000	....	4,388,000
1872.........	320,000	4,212,000	....	3,892,000
Totals for 7 yrs.	£8,444,000	£35,628,000	....	£27,184,000

Thus, matters were approaching a climax just at the moment when the treaty constituting the Latin Union was signed. In order to understand the effect of the *cours forcé* upon the Latin Union, it will now be necessary to consider carefully the coin and paper possessed by Italy at the time. As has been seen in an earlier chapter, Italy's coinage, 1862–1865, had been as follows:[2]

Gold	186,000,650 lire
Silver, five-lire pieces	5,577,205 "
Subsidiary silver	194,716,332 "
Token money	36,190,442 "
Total	422,484,629 lire

[1] *Report of Royal Commission on Depreciation of Silver*, 1876, p. 113.

[2] *Journal des Économistes*, 1874, i. 1, p. 225.

How much of this coinage still remained in the country is not certain. Probably little of it had been exported. There was also a considerable amount of non-decimal gold, as well as French and other foreign coin. In the testimony before the English committee on the depreciation of silver, the total amount of specie possessed by Italy was estimated as follows:

SPECIE STOCK OF ITALY APRIL 30, 1866 (WHEN SPECIE PAYMENTS[1] WERE SUSPENDED).

Gold, decimal	£16,760,000	
Gold, non-decimal to be withdrawn	460,000	
		£17,220,000
Silver five-franc pieces	3,440,000	
Silver convertible in pieces worth from 4s. to 8s. sterling	8,700,000	
Silver pieces of two francs, one franc fifty centimes, and twenty centimes -	4,780,000	
		16,920,000
Base metal, in pieces valued not above 10d. sterling		240,000
Copper or bronze in decimal pieces	1,440,000	
Copper or bronze non-decimal pieces	320,000	
		1,760,000
Total		£36,140,000
		= 903,500,000 francs approximately

In addition to the coin, there was also a moderate paper circulation. But before we proceed to consider this note issue, it will be well to examine the banking capital with which Italy was provided. Italy possessed in 1865 five banks of issue of different financial strength. These were:

	Capital (millions lire)
National Bank in the kingdom	100
Bank of Naples	20
Bank of Sicily	3
National Tuscan Bank	10
Tuscan Bank of Credit	2
Total	135

In addition to the banks of issue, there were also nine other great chartered banks with capitals aggregating 103 millions, the

[1] *Report of Royal Commission on Depreciation of Silver*, 1876, p. 113.

mortgage banks whose capitals amounted to 15.5 millions, the savings banks with 178.9 millions, and the so-called "people's banks" with 2 millions, making in all a grand total of 435 millions.[1]

At the time when the irredeemable legal-tender quality was given to the notes, only the regular banks of issue were allowed to issue paper, their circulation and reserves being as follows:

	Circulation, lire	Coin, lire
National Bank	218,859,179	32,762,196
Bank of Naples	2,780,000	46,459,085
Bank of Sicily	19,103,789	17,189,656
National Tuscan Bank	24,900,000	10,000,000
Tuscan Bank of Credit	5,859,550	2,000,000
Total -	271,502,518	108,410,937

Thus the total coin and paper circulation of Italy at the time of suspension was about 1174.9 millions. At the same time, the currency on hand in the treasury was thus reported:[2]

Cash	28 million l.
Notes	68 "
Bronze coin	15.5 "
Total	111.5 million.

Deducting from the 1174.9 millions already estimated to exist, the 108 million in the bank reserves and the 111.5 held in the treasury, it is seen that probably about 955.4 million represents the total circulation of Italy, if we leave out of account the reserves of banks other than the banks of issue. These cannot be exactly estimated. Probably, however, the combined reserves of these smaller banks did not exceed 250 millions, which would leave about 700 millions as the net circulation. The specie included in this amount, as has been seen by figures previously given, was almost all exported during the next few years. Such being the financial and monetary condition of Italy, it now remains to be noted under what circumstances the notes were made irredeemable.

[1] *Journal des Économistes, ante cit.*, pp. 229, 230.

[2] *Inchiesta sul Corso Forzoso*, vol. ii. p. 19.

It has already been stated that the features of the time were those of a general commercial and financial crisis. This was due primarily to a contraction of credit, which had been brought about by several different circumstances. The most important of these was, of course, the return of the *rente*, which has just been discussed. But there now also entered into the problem the fears of immediate war. These, combined with the various reasons for political anxieties and uneasiness, led to heavy withdrawals of funds from Italy and to the removal of deposits from credit institutions of all classes.

This naturally produced a severe stringency which, beginning apparently with the National Bank, extended itself to the other credit institutions. Nor was this state of things confined to Italy. During the early months of 1866 the general financial crisis which had raged throughout Europe during 1865 took on a chronic aspect and showed no signs of diminishing in intensity.[1] In March, the National Bank suspended its discounts almost absolutely. This condition of affairs spread like an epidemic throughout the peninsula, making itself manifest most distressingly at the commercial centers, such as Milan, Turin, and Genoa. From all sides severe pressure was brought to bear upon the administration, and demands for relief poured in. On the last day of April, the long threatening war clouds had finally burst in a declaration of hostilities. Extraordinary powers were granted the finance minister. The next day (May 1, 1866) the notes were made irredeemable. It would be impossible here to enter into an exhaustive study of the economic and financial effects of the *cours forcé*. It will therefore merely be attempted to give a brief sketch of its effects, as has been done of its origin.

Like many other conditions of the kind, the Italian *cours forcé* grew, for a long time, steadily worse instead of better. Hardly had the decree establishing it been published, when a heavy premium on gold made its appearance in Italian markets. Nor was the existence of this premium to be wondered at. On October 31, next succeeding the passage of the decree which

[1] *Analyse de l'Enquête sur le Cours Forcé en Italie*, p. 225.

established the *corso forzoso*, the National Bank possessed less specie in proportion to its notes than any other of the principal banks of Europe. This is easily seen by a comparison of the statistics of the various banks of the time. The increase of irredeemable paper did not stop here. Notwithstanding the adverse report of the committee appointed in 1868 to investigate the necessity of the *cours forcé*, the volume of notes continued to increase steadily, while the gold premium very naturally also displayed a corresponding upward tendency. This increase of the notes in circulation is the fact to which must be traced many of the difficulties experienced by Italy with her coin. The increase was as follows:

ITALIAN CIRCULATION OF PAPER.

	For account of banks, lire	State and bank total circulation, lire
Apr. 30, 1866	141,220,000	141,220,000
Dec. 31, 1866	245,930,000	495,930,000
" " 1867	487,010,000	737,010,000
" " 1868	563,090,000	841,090,000
" " 1869	570,660,000	848,660,000
" " 1870	497,440,000	942,440,000
" " 1871	577,560,000	1,206,580,000
" " 1872	623,370,000	1,363,370,000
" " 1873	664,330,000	1,454,330,000
" " 1874	633,230,000	1,513,230,000
" " 1875	621,240,000	1,561,240,000
" " 1876	646,030,000	1,586,030,000
" " 1877	628,560,000	1,568,560,000
" " 1878	672,280,000	1,612,280,000
" " 1879	732,440,000	1,672,440,000
Sept. 30, 1880	724,940,000	1,664,940,000

Under these circumstances it was no more than natural that Italy should witness an immediate and almost total disappearance of her coin, due to the deterioration of the paper. By reference to the tables in the earlier part of the present chapter, it will be seen to what an alarming extent Italy's coin was exported, during the years succeeding 1866. During the first few months, some 400 millions of specie left the country—principally for France.[1] This, of course, rendered it well-nigh

[1] *Relazione della Commissione Parlementare d'Inchiesta; Déposition de M. Landau*, vol. iii. p. 417.

impossible for foreign trade to go on. Whenever payments were to be made abroad, it was necessary to undergo considerable losses in order to get gold with which to liquidate. Exchange was constantly and heavily against Italy as may be seen by a glance at the accompanying quotations:

	Paris	London
1866, May	105.50	26.50
1866, Oct.	105.90	26.60
1867, May	109.75	27.55
1867, Oct.	111.20	27.78
1868, Apr.	112.45	28.82

"Under these conditions," said the *Inchiesta* of 1868,[1] which emphatically denied the necessity of instituting the *corso forzoso*, "the agio created a lucrative commerce which acquired enormous proportions. The coin actively drained away by the money changers accumulated in their hands and was sold at the highest prices when imperious needs demanded its use in large proportions."

The primary effect of these operations and exportations is not hard to understand. The other states of the Latin Union were flooded with Italian coin. This coin being legal money throughout the Union, and there being, therefore, at first no reluctance on the part of the people at large to use it, its export was immensely facilitated, and the departure of the subsidiary coin, which otherwise could not have been exported, was brought about. Soon most of the Italian coin was in circulation in the territory of the allies. It will be well to notice carefully the exact effects which this process was likely to produce upon the Latin Union. These were two in number, and opposite in their character.

1. The effect of the Italian *cours forcé* was directly to weaken the Latin Union by causing a redundancy of silver coin in the other countries, as later came to pass, and thereby creating dissatisfaction with the law under which the countries were living.

2. But there was also an influence operating strongly, although possibly indirectly, in the opposite direction. By losing her coin,

[1] *Analyse de l'Enquête*, etc., *ante cit.*, p. 234.

Italy, after the depreciation of silver had set in, rendered her condition a matter of interest to the other powers, since all knew that, should the government fail to override the crisis, no hope of the redemption of the coin could ever be indulged.

Thus, two quite opposite tendencies were energetically at work from the side of Italy in shaping not only her future relation to the Latin Union, but even also, to some extent, the views of the other countries within it. These influences did not, indeed, make their weight felt from the very first, but they acted steadily, and, although their operation was slow, yet results could without difficulty be accurately foreseen.

CHAPTER VIII.

POPULAR DISSATISFACTION AND THE INTERNATIONAL MONETARY CONFERENCE OF 1867.

The treaty of 1865 did not meet with the universal approval which had been hoped and bespoken for it. From the outset, it was perfectly clear that there were great difficulties with which it must contend, and the course of events in Italy did not tend to weaken this belief. Externally the league presented an imposing appearance, but close observers had no difficulty in detecting fatal weaknesses. To the advocates of internationa monetary control, however, it presented many spectacular features which served to divert the attention and tickle the fancy of those who had all along been advocating some step of this sort. From the very beginning there were three distinct views concerning the Latin Union. The advocates of an international money, who were chiefly bimetallists, expressed their unqualified approval of the principles adopted by the league and spoke of it as a great step in universal monetary progress. They pointed out that never before had there been a period when countries had united together for mutual assistance in regard to coinage, and referred to the treaty of 1865 as marking a new era in the monetary history of the world. From this small beginning, it was said, there would soon follow an extension of monetary uniformity which would finally include the whole of Europe and possibly extend itself even farther. There were many who thought that the solution of the monetary problem had at last been found.[1]

In strong opposition to these reasoners was a class of critics who went as far in condemning the union as the party just mentioned did in lauding it. According to these writers, the league

[1] "The treaty by which the four nations, France, Belgium, Italy, and Switzerland, bound themselves to use exclusively an identical coinage is one of the most characteristic treaties of the nineteenth century."—*London Economist*, 1866, September 15, p. 1077.

was a political scheme and a mere product of economic sentimentalism, which would be little likely to bear any good fruit. These opponents criticised the scheme on the ground of its supposed bimetallic character, its loose construction, its disregard of the wishes of the smaller countries as well as of monetary experts in France herself, and its disaccord with monetary tendencies of the time.

Between these two extremes, the sanest body of opinion was found. Most of those who devoted special consideration to the matter regarded the Latin Union as well conceived and characterized by many good points, but as fundamentally vicious in several different respects. As these opinions were important in shaping subsequent history, it may be well to summarize a few of them in a brief way.

1. The treaty was criticised severely for introducing a "third value" for the franc. By the treaty of 1865, the franc was reduced to .835 and the five-franc piece, .900 fine, was made the unit. This confusion over the unit was regarded as essentially troublesome and likely to lead to future annoyance.[1]

2. It was further argued that the distinction in fineness made between silver five-franc pieces and subsidiary silver could not but be productive of annoyance and the selection of .835 as the fineness of the subsidiary silver was regarded as bizarre and unfortunate.[2]

3. There were also less plausible statements concerning the effects of the treaty of 1865. It was feared that lowering the fineness of the coin would raise prices and defraud creditors[3] and that all sorts of salaried workers would find their purchasing power decreased by the new system.

4. Much more reasonably it was urged that the decrease in fineness might tend to drive the five-franc piece from circulation

[1] Cf. M. LÉON, *L'Uniformité des Monnaies*, p. 3. "As to the opinion of the partisans of the double unit I will not stop to argue. If the unit is not *one* the words have no more sense and we fall into confusion of speech."

[2] Cf. *ibid.*, p. 4.

[3] See especially SERRIGNY in *Journal des Economistes*, 1866, ii. 1, 399. "La convention monétaire internationale."

and, had the relative values of gold and silver remained unchanged, such might possibly have been the case.[1]

5. But more emphatically than any of these points of objection, the principle of the double standard as provided for in the treaty of 1865, was denounced. It will be unnecessary to do more than recapitulate briefly the arguments brought forward under this head. In general they were of three kinds:

a) Theoretic arguments against the double standard as such.

b) The general contention that the international uniformity, so ardently longed for by a certain number of people, would be seriously retarded by the adoption of the double standard.

c) The fears that silver might become cheaper than gold and the latter metal be driven from circulation.[2]

With the first of these categories everyone is now perfectly familiar. The second classification is scarcely less well known. Even at so comparatively early a date, many persons saw that the monetary systems of the world were energetically, although perhaps almost imperceptibly, tending toward the gold standard, and the fear that France would not be able on that account, if on no other, to induce many countries to follow in her footsteps along the road to monetary uniformity, led them to denounce the adoption of the double standard as inimical to the interests of France's monetary hegemony even if desirable on its own merits. The third ground for objection—the fear that silver might grow cheap and drive out gold—shows how strongly the French had become attached to the new gold currency which they had had since 1848. Although silver showed no

[1] *Ibid.*, p. 397.

[2] On these points consult especially LÉON's *L'Uniformité des Monnaies*, pp. 5–16, and PARIEU in *Journal des Économistes*, 1868, i. 2, 38–71, and 1867, i. 2, 321–352; also *London Economist*, 1866, September 15, p. 1078. "The convention is not equally successful in establishing for the future a good standard of value. It falls into the heresy of the double standard. Monetary civilization has been much complicated by the fact that there are two precious metals of which silver, the bulkier and cheaper, is more suitable to primitive times, and gold, the rarer and dearer, to civilized times of nicer habits and with larger transactions. All modern nations have received the two metals by tradition in their inherited coinage, and they have tried various modes of combining the two."

perceptible signs of a decline for many months after the adoption of the treaty of 1865, yet nevertheless the change which, during the preceding fifteen years, had come over the French circulation furnished tangible proof of the possibility of a reaction. The remembrance, too, of the inconveniences experienced from the old silver coinage, which had proved so great a drawback to trade and industry, stimulated the fears arising from the new sanction given to what was supposed by many to be the principle of the double standard.

The treaty of 1865 had been ratified by both chambers of the Swiss Federal Assembly in February of 1866, by the Belgian chambers in April, by the Italian a short time later.[1] Not till July 14 did it become a law in France. Even then there seems to have been faint hopes that by some means its character might be changed. The advocates of an international money were disappointed at its apparent lack of popularity, for the treaty did not meet in all the European states with the enthusiastic reception which they had looked for, and they began to perceive that, in order to carry through successfully the favorite scheme of an international money for all the principal states of Europe, they would be obliged to remove from it the recognition of a double standard forced upon them by French officialism. Many schemes had been proposed for an international circulation. Chevalier, in various public prints, advocated a plan for introducing such a money.[2] He outlined the salient features of the proposal and based it on the introduction of the gold standard. The French monetary system, he said, could never be extended to other countries till it rested on a stable basis. Other economists took essentially the same view. Moreover, these plans met with the more cordial reception from the fact that no favorable response had been received to the broad hint which had been thrown out to England and the United States on the subject of joining the Latin union, or at least adopting a currency in

[1] See *Journal des Économistes*, 1866, i. 2, 288.

[2] See *e. g.*, *London Economist*, March 30, 1867, p. 355. See also the discussion of the *Societe d'Économie Politique* during the whole of this period as given in the *Journal des Economistes*.

common with it. The invitations extended to smaller countries met with little favor, and the two larger states just mentioned displayed no desire to move in the matter. The English press, indeed, discussed the question in a desultory way, and the Edinburgh *Review* even went so far as to lend the project its support. The London *Economist* likewise was disposed to look with favor upon the desire for an international money, if divorced from the double standard.[1] It pointed out that the sovereign might be debased so as to be equal in value to an imaginary 25-franc piece, and proposed the same change in the American five-dollar gold piece, while it clearly showed that the difficulties of the operation would by no means be so great as would at first sight appear. At the same time, however, it was pointed out that the double standard could not be tolerated, and it was considered singular that France should desire the retention of a nominal double standard when in reality little but gold was in circulation within her limits. "Gold money," said the *Economist*, "is becoming *the* money of commerce. . Intrinsically the large obligations of modern times are best settled in a costly metal. Gold is (and to all appearance will remain) the wholesale money of mercantile nations." The attitude of the United States and of other countries was similar, and disappointment increased in France. Little action was taken during the half year following the ratification of the treaty, but early in 1867 the agitation assumed a more organized form. On March 3, a petition,[2] in which a gold standard for France was earnestly requested, was presented to the senate. Grave perturbations, it was said, had always been and always would be the characteristic of the present system, and the all-engrossing argument concerning international money was forcibly brought forward. The maintenance of the double standard would always be a bar to the extension of the French monetary system to other countries, since gold was now the money of all the principal commercial nations. Upon the presentation of this petition, M. Chevalier

[1] *London Economist*, October 27, 1866, p. 1252.

[2] See *London Economist*, March 23, 1867, p. 329.

announced that a commission, of which he himself was a member, had already been appointed by the administration to consider the question,[1] but on April 20, at the end of a month, the announcement was made that M. Chevalier had resigned his position as head of the commission. His reason was that this body had, by a vote of five to three, declared for the maintenance of the double standard.[2] Treasury and bank officials, headed by the veteran bimetallist, Wolowski, had outvoted those members of the commission who favored the gold standard, notwithstanding the arguments of Parieu, Chevalier, and de Lavenay, all of whom voted for gold. Of their five opponents, only Wolowski possessed any economic competency.[3] The verdict of the commission, such as it was, was summarized as follows by M. Magne, the finance minister, at a later date:[4] "The majority of this commission thought that the maintenance of the double money of gold and silver established by our legislation, practiced without inconvenience for more than sixty years, had the advantage of moderating the fluctuations in the value of the two metals, of modifying financial crises by permitting, according to the demands of circumstances, a passage from one money to the other; of favoring commerce with the countries which admit only silver, and lastly, of respecting the law of contracts which gives to debtors the power to liquidate in gold or in silver at will, and of not interfering with the habits of certain classes of the population which prefer the silver five-franc piece to the gold five-franc piece." Thus the verdict of the commission was a genuine bimetallic utterance.[5]

The retirement of Chevalier from the commission was productive of unfavorable comment.[6] The verdict of the commission was distinctly unsatisfactory and the popular agitation on the monetary question in no wise decreased. It was plain that

[1] *Ibid.* [2] *London Economist*, April 20, 1867, p. 448.

[3] *Cf. London Economist*, April 27, 1867, p. 474.

[4] *Enquête sur la Question monétaire*, 1872, vol. i. p. 3.

[5] See for the details *Rapport de la Commission monétaire de 1867*, Paris, 1867.

[6] *London Economist*, April 27, 1867, p. 475.

some measures must be taken looking toward putting the question to rest. Fortunately the opening of the international exposition at Paris, where representatives of many nations would be gathered together, had already given the government an opportunity to retrieve itself in a dignified way. "The universal exposition of 1867 naturally threw into relief the clause of the treaty of 1865 which opened to other states the right of admission and lent a new impetus to the search for the means most suitable to extend the circle of those adhering to it."[1] Accordingly, the government seized the opportunity to gather together the representatives of as many states as possible for conference upon the monetary question, hoping, undoubtedly, to induce yet other countries to enter the Latin Union.[2] On June 20 the representatives of twenty states came together in convention at Paris.[3]

The monetary convention of 1867 was a truly representative body. It included, beside the United States, most of the European countries, both those of the double and of the gold standard. States of the silver standard were also represented. Thus there was every reason to believe that all sides would have a fair showing, and that the verdict rendered would be an accurate index of the monetary tendencies of the world. The convention of 1867 belongs properly to the history of international bimetallism. It is, therefore, outside the scope of the present investigation, save so far as it affected the action of the Latin Union.

[1] *Enquête sur la Question monétaire*, 1872, vol. i. p. 2. *Rapport de son Excellence M. Magne à l'Empéreur sur les Monnaies.*

[2] Examine for source of this opinion the speech of the president to the conference and the *Questionnaire* prepared for discussion as given in the reports; *Procès-Verbaux Conférence monétaire Internationale*, 1867 pp. 11–15.

[3] The states which took part in this meeting included the following:

Grand Duchy of Baden	Bavaria	Denmark
Holland	Portugal	Prussia
France	Russia	Switzerland
Turkey	Würtemberg	Austria
Spain	Belgium	Italy
Norway	England	United States
Greece		

It certainly is most interesting to note that the treaty of 1865 and the debates which grew out of it were in reality the origin of the international bimetallic cult which has since gained so wide an extension. It is, however, merely of importance for the present investigation that we note the bearing of the verdict rendered by the conference of 1867 upon the progress of monetary opinion in France and upon the adoption of the system of the treaty of 1865. How did the results of the conference of 1867 affect the Latin Union?—this is at present of prime importance.

From the outset, it was, of course, the earnest wish of France to induce the representatives of the assembled states to declare for the treaty of 1865 and the double standard. It was evidently thought that, now a nucleus of states had been formed with a well-marked policy, it would be much easier for those outside to assimilate their systems to that already thus introduced than for any aggregation of states to unite on a new basis. But this, as will now be seen, was precisely the point where the French government displayed want of foresight. The list of questions which was prepared for the guidance of the debates[1] made no specific mention of the Latin Union, nor did it clearly request the acceptance of the treaty by the states. This was merely hinted at. It laid before the states the question of *methods* for introducing international monetary uniformity and the question of standards upon which to base an international monetary system, if such should be deemed desirable. After long discussion of the subject, the influence of France prevailed and it was unanimously voted to recommend the system introduced by the treaty of 1865. But just here the French monetary influence broke down. The vote in favor of the monetary *system* of the Latin Union was expressly conditioned upon the stipulation that nothing was implied with reference to the standard of value.[2] When this important question did come up for decision the vote was given with overwhelming force for the single gold standard. Only

[1] See *Conférence monétaire Internationale*, 1867, *Procès-Verbaux*, pp. 13–15.

[2] *Ibid.*, p. 25.

Holland voted on the other side.[1] So completely did the feeling of the conference run in the direction of the single gold standard that French officialism was absolutely powerless. France had confidently expected that, now the smaller states of the Latin Union had by the treaty of 1865 consented to put themselves into her hands, they would vote solidly for the double standard. This hope was signally disappointed. Not only did the smaller states prove unmanageable, but even the French representatives themselves voted with the rest.[2]

Of the more technical discussions of the conference it will be irrelevant to speak here, since they do not strictly concern the Latin Union itself. It only remains to consider cursorily the formal report rendered on the doings of the conference.[3] On July 6, the vice president, M. de Parieu, submitted this document for the approval of the members. After briefly recapitulating the circumstances under which the meeting originated, he proceeded to sum up carefully the results reached in the debates. "Instead of searching for a new system

[1] For this vote and the debates see *ibid.*, pp. 33–47.

[2] In the *Report of the United States Monetary Commission*, organized under joint resolution of August 15, 1876, vol. i. p. 64, the following occurs: "It is a mistake, although a very common one, to suppose that the Paris Conference of 1867 recommended the demonetization of silver and the adoption of an exclusive gold standard. What it did recommend was such a unification of the gold coins of the leading commercial nations as would render them convenient for international use . . . . The demonetization of silver formed no part of the policy proposed. The only recommendation on that point was that nations having the double standard should agree to establish such a legal relation of value between the two metals as would not practically exclude the circulation of gold."

In view of the evidence just adduced there can be no doubt whatever that the quotation given above from the report in question is a *perversion of facts*. It certainly is a complete misstatement. The correctness of the views on the action of the conference in question which have just been put forward is not to be disputed. That the finance minister held the same opinion is seen from the following passage of the *Enquête sur la Question monétaire*, 1872, p. 3: "They (the members of the conference of 1867) were of opinion that there should be adopted as international money: Gold as sole basis of the system. . . . The conference likewise advised that each state should be allowed to retain the silver standard *temporarily*." After a period of transition the states were to bring in the gold standard.

[3] For text see *Conférence monétaire Internationale*, 1867, pp. 105–113.

which must be created in all its parts, you have preferred to turn your eyes toward the system of the monetary treaty signed at Paris, December 23, 1865. . . . But you have not been willing to regard this system as perfect and immutable. . . . . When the treaty of December 23, 1865, was concluded, three of the states associated in this transaction wished that the gold standard should be the exclusive support of the system of the union. . . With the most remarkable unanimity . . . your conference has been of opinion that it should seek in the gold standard, with silver, if needed, as its *temporary* companion, the basis of the attempts at the monetary uniformity of the future. The conference has thus pronounced itself in principle for the unity of the gold standard."[1] M. Parieu then proceeded to a résumé of the plan for placing on a footing of equality the principal gold coins of the world: He closed by predicting for gold complete ascendency as the money of the future.

Thus the monetary conference of 1867 had rendered its verdict with no uncertain voice. It cannot be doubted that its report was fully in accordance with the general monetary ideas of the French people. Just what was its effect, from one point of view, in extending, and from another, retarding, the growth of the Latin Union, we shall now try to see. In order to do this it will be necessary to anticipate in some degree the course of events in France. As, however, this portion of the subject is so closely connected with the international conference of 1867, it will serve our purpose better to study these events just at this point. The conference of 1867 helped to extend the technical system of account used by the Latin Union, by the fact that it had voted in favor of this coinage system as such. At the same time, it hindered the accession of states to the union, by the fact of its having declared for the gold standard. It is an interesting fact that while there had been some prospect of accession to the union before the conference of 1867, all of those states which had not already progressed beyond the point where they were committed to joining France and her allies, either withdrew

[1] *Conférence monétaire Internationale*, 1867, pp. 111, 112.

their overtures immediately after the conference, or so altered them as merely to apply to the extension of the technical coinage system of France to their own territory. Only one state had really agreed to join the union prior to the Paris conference. This was Greece, which by a law of April 10, 1867, had declared its intention of taking advantage of that clause of the treaty of 1865 which guaranteed admission for such foreign states as should accept the obligations of the act. At the same time with the Greek negotiations, some desultory proposals had been made for the admission of Spain and Roumania into the union. As, however, these bore no immediate fruit, they will not here be considered. It is hard to see why the admission of Greece to the Latin Union should have been desired or allowed by that body. In no sense was she a desirable member of the league. Economically unsound, convulsed by political struggles, and financially rotten, her condition was pitiable. Struggling with a burden of debt, Greece was also endeavoring to maintain in circulation a large amount of inconvertible paper. She was not territorially a desirable adjunct to the Latin Union, and her commercial and financial importance was small. Nevertheless her nominal admission was secured, and we may credit the obscure political influences, to which reference has been made in a preceding chapter, with being able to effect what economic and financial considerations could not. Certainly it would be hard to understand on what other grounds her membership was attained.[1] The unit adopted was to be the silver drachma, .900 fine, corresponding exactly to the franc, with multiples analogous to those of the French system.[2] When we come to study the coinage history of the Latin Union we shall see that little use of the new system was ever made by Greece. The coinage has been insignificant. Thus Greece was a mere useless appendage to the monetary league. Her admission is another fact tending to confirm the political inferences already drawn.

[1] Cf. O. HAUPT, *Histoire monétaire de notre Temps*, p. 219.

[2] See H. COSTES, *Notes et Tableaux pour Servir a l'Étude de la Question monétaire.* Paris, 1884, p. 54.

A much more desirable accession would have been found in the case of Austria. Unfortunately for the Latin Union, however, progressive monetary tendencies, aided by the verdict of the Paris conference, here won a decisive victory over conservatism. The relation of Austria to the Latin Union has never been considered, but it nevertheless furnishes a valuable indication of the progress of the new monetary ideas. As early as April 1867 a specially appointed commission had been working upon the monetary problem in Austria.[1] Under the leadership of Baron Hock some careful work had been done in considering what means for improving the confused monetary system of Austria would be most practicable and—what is more to the present purpose—how this system could best be assimilated to that of the Latin Union. On April 16 the following resolution was carried:

> Austria ought to associate herself actively in the efforts of the French government after a universal monetary union and the creation of a universal money, and she ought, to this end, to declare herself ready to make part of a universal monetary union.[2]

This in itself was not sufficiently definite to arouse much satisfaction in France, and a much more decisive utterance was to come. On the same day it was voted "that Austria would prefer the exclusive gold standard." "That it would be well to join in the monetary treaty concluded December 23, 1865," but with the modification that "Austria shall not be brought to the double standard . . . . and the countries under the régime of the said convention shall be invited to renounce the double standard." It was soon after this that the Paris convention of 1867 took place. Austria was represented, and the report of the convention, as already considered, as well as the recommendations of the "commission," relating to the assimilation of the Austrian to the French monetary system, went far toward strengthening her already decided preference for the gold standard. Accordingly, on December 24, 1867, a monetary

[1] See *Verhandlungen der Spezial-Commission zur Beachthung der Münzfrage.* Wien, 1867.

[2] For a brief résumé of the work of the "*Spezial-Commission*," see *Journal des Économistes*, 1867, i. 2, pp. 353–356.

treaty was signed between France and Austria. It was a severe defeat for the bimetallic policy. By this document it was stipulated that the two countries should mutually receive into their public treasuries one another's gold coins at specified rates, and it was especially provided, by Art. 8, that

> the High Contracting Parties engage themselves not to modify the fineness, weight, or legal-tender quality of the gold coins specified in the preceding articles, coins which shall be regarded as constituting their invariable and common monetary standard.

By the second clause of the article the power to suppress the silver coin was reserved. Thus, so far as relations with Austria were concerned, France—and later the whole Latin Union—was theoretically as well as practically on a gold basis.

The treaty with Austria was the last real extension gained by the Latin Union. There were, however, certain other countries which made partial efforts to secure, with the allied countries, a free international circulation of coin. These it will be worth while to mention. The negotiations with Spain and Roumania have already been referred to. It will be unnecessary to enter at length into this obscure portion of the history of the Latin Union. Just why negotiations were broken off does not seem to be known. Neither of the countries would have made desirable members of the Latin Union. This, however, would probably not have had decisive weight, and the real reason is, it seems likely, to be sought in the political history of the times. Although debarred from active membership in the union, Roumania nevertheless, by a law of April 14, 1867, decreed her adoption of the monetary régime of the Latin Union[1] after January 1, 1868.[2] Unlike Greece, the government went systematically to work and succeeded in making some progress[3] in introducing the system. The unit adopted was the ley, precisely equivalent to the franc and, like it, having 100 subdivisions. Like Greece, Spain also made, in 1868, an abortive attempt to introduce the system of the Latin Union. In that year the law of October 19 sought to

[1] H. Costes, *Notes et Tableaux ante cit.*, p. 101.

[2] O. Haupt, *Histoire monétaire de notre Temps*, p. 357. [3] *Ibid.*, p. 358.

establish the franc system in Spain, substituting the franc or peseta for the *real* and *escudo*.[1] Spain's economic and financial condition, however, was such as effectually to preclude any genuine progress, and it was not until after 1870 that much was done. Thus, no considerable extension was attained by the Latin Union.[2] If it be asked why the hopes of the advocates of international money had thus been disappointed, it can only be said that beyond question the bimetallic policy had frustrated these desires. With the considerable favor accorded to the plan for uniformity of money, it certainly seems more than probable that it might have been carried through had it rested upon a different basis. But France and her allies had given in their support to a supposed bimetallic policy, and, without them, the project of international monetary uniformity was little likely to be a success. Moreover, its most energetic supporters were to be found in France. As the other European states were unwilling to join her upon a bimetallic basis, international monetary uniformity became impossible.

[1] *Ibid.*, p. 162, also COSTES, *ante cit.*, p. 91.

[2] This is not to say that no other states adopted the system. The colonies of France, notably Algeria and Tunis, came under the scope of the treaty of 1865. Peru had already adopted the franc system by the law of July 31, 1863, and the United States of Columbia and the United States of Venezuela followed suit in 1871 (June 9 and May 11, respectively). August 9, 1877, the Grand Duchy of Finland; November 11, 1878, Servia; May 17, 1880, Bulgaria; pursued the same policy. With Spain had also been included her colonies. Thus, at the end of the movement, about eighteen states had adopted the franc system.

CHAPTER IX.

COINAGE AND THE RATIO. 1865–1870.

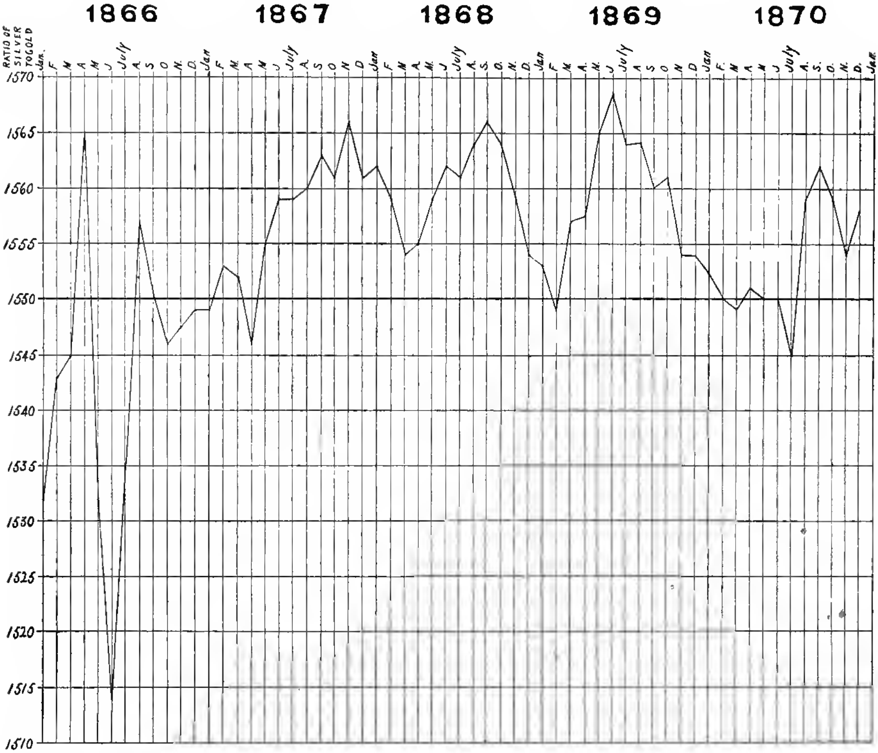
Before proceeding further with our study of the internal history of the Latin Union, it will now be necessary to examine some of the exterior facts of its history during the period immediately succeeding its formation, and prior to the limitation of the coinage in 1873. A careful study of the facts relating to coinage, exports and imports of gold and silver, and the events having an immediate bearing upon the movement of specie during this early period of the history of the league, when the monetary condition of the allied countries was unperturbed by any very marked alteration in the relative value of the precious metals, throws light upon the subsequent history of the treaty of 1865, and will enable us to understand more accurately the real value of the monetary league as such.

The close of the year 1865 was an unpropitious time for the establishment of a monetary union, based upon the principles adopted by the treaty of that year. Coming as it did just after the completion of the great movement of gold into France, and pursuing the policy that it did, there was really not a chance for its success. By making the smaller states dependent upon France, the Latin Union hindered them, as we shall later see, from actively caring for their own interests when the fall in the value of silver began to grow more marked, and forced upon them subsequently the necessity of redeeming a mass of depreciated metal.

It goes without saying, that, as the door had been left open for the entrance of both metals into the circulation, the fact of prime importance to the associated countries was the ratio of gold to silver in the open market. At the time of the formation of the Latin Union, the period when silver had a high value was nearing its close. The demand for silver for export to the East

CHART I.

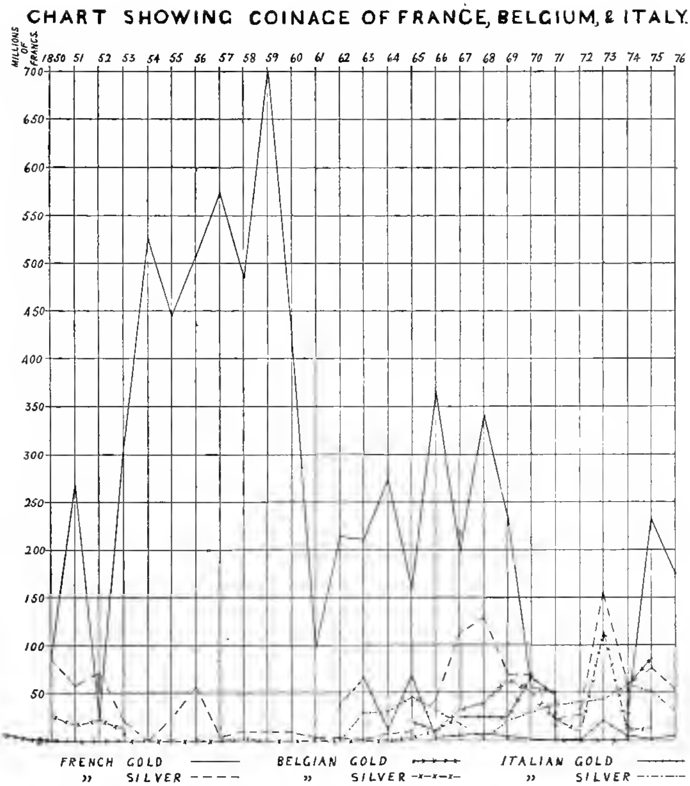
CHART SHOWING RATIO OF SILVER TO GOLD BY MONTHS.



had fallen off.[1] Also the suspension in Italy and the consequent decrease in coinage, as well as the analogous events in the United States, unquestionably had their weight in lowering the value of silver. But, beside all these influences, and of more importance than all, the general feeling that silver was to be definitely discarded for gold had immense weight in bringing about a decline in the hitherto high value of silver relatively to gold. The decline first began to be noticeable about the middle of the year 1865, but not before 1866 was well advanced did it

[1] See ELLSTAETTER "Indiens Silberwährung," translated by J. LAURENCE LAUGHLIN, *Economic Studies of the University of Chicago.* Also LAUGHLIN, *History of Bimetallism in the United States*, pp. 126, *et seq.*

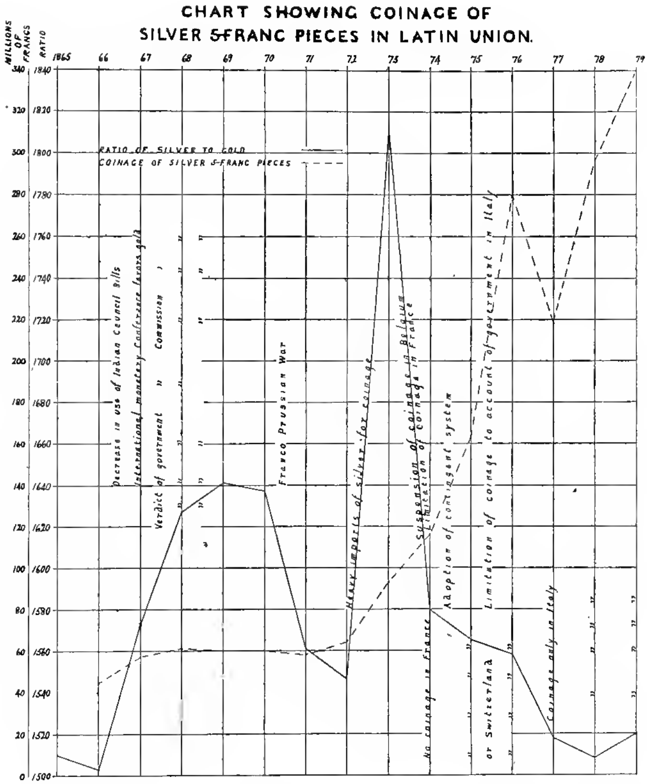
CHART II.



become of sufficient importance to attract much attention. Even then it was not so marked as to arouse any alarm or to create an adequate impression of the importance of the movement whose beginning it was. Only in 1867, did it really appear that silver had at last reached a slightly lower level, upon which it seemed likely to remain.

The accompanying chart (Chart I) is intended to illustrate this history. The slight rise in value, noticeable toward the close of 1869 and continuing during the first months of 1870, was not to be a permanent feature of the market price of silver. Thus it may, in general, be said with sufficient accuracy that

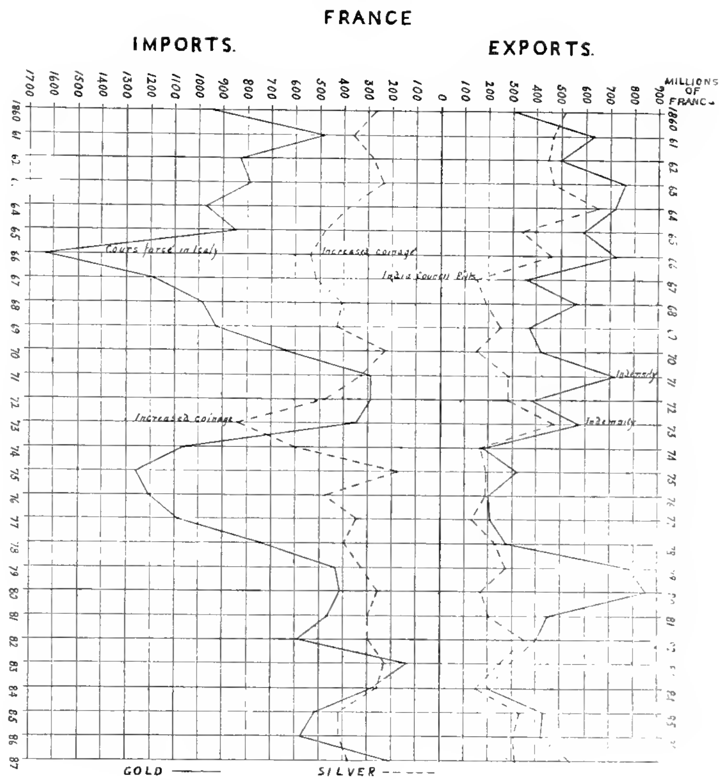
CHART III.



the period 1865–1871 was, on the whole, a period of a lowered value of silver. The significance of this fact for the countries of the Latin Union was very great. With free coinage of both precious metals there could, naturally, be but one result.[1] Gresham's law began to operate, although now the gold coin, instead of the silver, formed the subject of speculative operations. This reflex movement, of course, was first displayed in an increased coinage of silver after 1866. This tendency

[1] The discussion of the ratios of gold to silver contained in this chapter is based on the tables given in Appendix II, F, p. 225, of LAUGHLIN's *History of Bimetallism in the United States*, where the ratios are computed from the gold price per ounce of silver as quoted by Pixley & Abells.

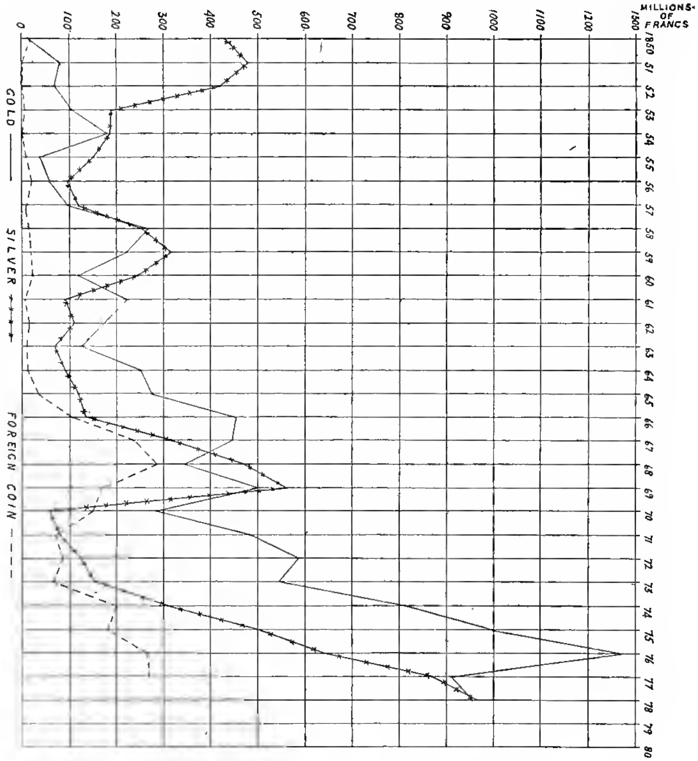
CHART IV.



toward increased coinage is illustrated in the accompanying chart (Chart II), which shows the general movement of gold and silver toward the mints of the three principal countries of the Latin Union. It appears that a notable increase in the coinage of silver was already to be seen. By comparing Charts I and II it will be observed that fluctuations in the amount of silver presented for coinage followed closely upon similar changes in the ratio. A juxtaposition of the line representing the amount of silver minted with that showing the variations in the ratio will demonstrate the close connection between what appear to be slight fluctuations in the relative value of the

CHART V.

CHART SHOWING METALLIC STOCK BANK OF FRANCE.



precious metals and the amount of silver presented for coinage. Such a juxtaposition has been effected in Chart III, where the coinage of five-franc pieces, the representatives of the legal-tender quality of silver, has been dissociated from that of other denominations of silver coin, and the ratio is expressed in yearly averages. There can be no doubt that the verdicts of the government commissions which, from time to time, gave their opinion in favor of a gold standard had also an effect in increasing the coinage of silver, by leading those desirous of taking advantage of the cheapness of silver to hurry forward coinages of that metal, before the passage of hostile legislation, which seemed at times to be imminent.

As might naturally be expected, the imports and exports of gold and silver showed a general correspondence with the movement of coinage and the ratio in open market. As Paris was in reality the principal money market for the smaller countries as well as for France, the French imports and exports of gold and silver may roughly be regarded as typical of the whole Latin Union. Chart IV illustrates the movement of gold and silver into and out of France. As has already been indicated, the large movement of specie into France was due principally to the Italian *cours forcé* and the return of the Italian *rente*, which led to the export of specie from Italy to those markets where *rente* had been chiefly held, notably Paris. It is, of course, to be noted that the imports of silver are considerably heavier as the price of silver grows lower, while the exports of silver, which before this had been draining that metal to the East, fall off.

One more important point yet remains to be considered before we finish our study of the external facts of this period in the history of the Latin Union. Light is thrown on the general situation by the figures for the holdings of different sorts of specie by the Bank of France. A study of these statistics yields information not only on the actual constitution of the bank's reserve, but also:

1. On the comparative use of the two metals as money by the people, and hence of the comparative popularity of each.

2. On the amount of coin of the allied states which flowed into France, and secondarily of the effect of the Latin Union in promoting this flow.

Chart V presents the figures representing these holdings by the Bank of France. The amount of foreign coin held has also been dissociated from the holdings of native gold and silver coin and is plotted as a separate line. Examining the reserve for the period 1866–1870 it is to be noted that, in 1869, the silver held in the bank's vaults rises to a considerable height, even exceeding in amount the gold reserve. A comparison of Chart V with preceding charts shows that this movement followed

quite closely upon the increased coinages of silver. Owing to the dislike universally felt for the use of silver in common transactions, it is probable that much of the new silver coin was exchanged at the bank for gold. This is rendered the more probable by the decrease to be noted in the amount of gold held by the bank. If it be objected that the general level of the gold held by the bank is higher during this period than during the one preceding, it may be replied that this was, to a great extent, due to the somewhat enlarged use of paper and to the general favorable balance of trade. The same argument cannot be used to explain the increase of silver in the bank, because of the fact that the amounts of silver held by that institution correspond so closely to the amounts coined, while possible increase, owing to importation of foreign coin is excluded, since this latter category of assets is plotted separately. The third line which, as just observed, shows the quantity of foreign coin held by the bank, rises steadily during the period immediately succeeding the Italian suspension and the heavy exportation of specie from Italy. This, at first sight, sets up the assumption that the foreign coin held by the bank at this period was largely Italian, and this in fact was the case, as is substantiated by numerous contemporary statements. It is, however, well to call attention to a fact not shown by the chart—that, of the foreign coin which flowed so plentifully into France, the major portion deposited in the bank was silver. The Italian gold coins being in every respect of equal value with the French coins of like denominations, circulated freely. In regard to the whole condition of the circulation in France during the period under consideration evidence was, at a later date, given by M. Rouland, governor of the Bank of France, as follows: "It is quite clear that silver, progressively less demanded since the *end of 1866*, having no longer the power to command a high premium outside, has more and more flowed to the mint for coinage, when in ingots. On the other hand, in view of the circumstance that gold remains abundant and is better worthy of circulation, owing to the fact that it is more convenient and is preferred. . . .

coined silver has, little by little, retired into the reserves of the bank, where it today appears in considerable quantities."[1] It may be remarked that the same statement would have applied to the circulation of Belgium.

Thus the period subsequent to 1866, immediately after the formation of the Latin Union, may, in general, be regarded as displaying premonitory symptoms of the silver crisis that was soon to follow. The influence of the new turn in monetary events upon public opinion has already been slightly touched upon and will later be developed at greater length. It is, therefore, only necessary to note at this point that the new prospects regarding the future value of the precious metals seem to have had very considerable effect in strengthening the preference for a single standard which had already been shown. In view of the facts just set forth, it will not be difficult to understand the general uneasiness and desire to attain a stable basis for the monetary system of the allied countries. It will now be necessary to study, in their relation to more immediate important events, the data just considered.

[1] See *Enquête sur la Question monétaire*, 1872, p. 86.

CHAPTER X.

THE MONETARY QUESTION IN FRANCE. 1867–1870.

So far, our study has concerned itself with the perturbations experienced by the monetary systems of the various countries after the appearance of the new gold, and with the general movement for international monetary action as a remedy. Of this movement, which, for the time being, culminated in the International Conference of 1867, the treaty of 1865 was an incident.

It is not until after the International Conference of 1867 that the history of the Latin Union really begins. The renewed flow of silver toward the mints of the allied countries, taken in conjunction with the verdict of the conference of 1867, began very naturally to strengthen the desire, by the adoption of the gold standard, to rehabilitate the prospect of an international monetary union on a large scale. It is with the discussions over the proposals for a change in the standard that the history of the first period of the Latin Union is taken up.

In a former chapter, brief allusion was made to the abortive attempt at a monetary investigation, known as the Commission of 1867.[1] In order fully to understand subsequent occurrences, it will now be necessary to revert to the report rendered at that time, since it constituted the beginning of the series of government investigations which continued throughout the three years from 1867 to 1870. As has already been said, the verdict of this commission, consisting, as it did, chiefly of treasury and bank officials, was for bimetallism, the vote standing five to three. The minority, however, filed a report which succeeded in exerting a considerably greater influence upon public opinion than did that of their opponents. The points of difference may be summed up under three heads:

[1] See *Commission monétaire, Documents relatifs à la Question monétaire, Ministère des Finances*, 1868, pp. 3, 4.

1. The interpretation of the law of 1803.

2. The comparative advantages of the double and single standards.

3. The difficulties and advantages of the ultimate retirement of silver.

On the first of these three points, extensive citations from the various speeches delivered in the assembly at the time of the passage of the law of 1803 were made. The partisans of the single standard were anxious to show that the law of 1803 had really intended to establish the silver standard in France. It was shown that in all the debates upon the monetary question, from 1789 to 1803, the sole desire had been to set up a single invariable silver standard.[1] But, notwithstanding the conclusive evidence adduced upon this side of the controversy, a distinctly opposite view was maintained by the majority of the commission. By references to various authorities it was attempted to substantiate the claim that the bimetallic principle had been set up in the law of 1803, and the utterances of Gaudin were ingeniously explained away.[2]

Secondly, it was urged by the monometallists that while a single metal might be subject to occasional fluctuations in value these would not be so frequent as where two were used "simultaneously." The theory of bimetallic "compensation" and the simile drawn from the compensatory pendulum were shown to be inexact, and it was proved that little danger from the depreciation of gold was now to be anticipated while, on the other hand, the depreciation of silver just setting in would be likely to drive out gold.

> Thus [said the report][3] the alternating standard set up by the law of 1803 is a vicious principle; it introduces into contracts an element which escapes the attention of the parties to a bargain, and of which the mass of contractants take no account; it would allow the debtor, if the premium should

[1] One quotation from Gaudin may be repeated: "Neither abundance nor scarcity shall make a change in the value of the franc. It shall be then as invariable as the weight of five grammes of silver nine-tenths fine; it shall be this identical weight, and whoever shall have lent 200 francs may only be reimbursed with one kilogramme of silver, which shall be worth always 200 francs."—*Ibid.*, p. 55.

[2] *Ibid.*, pp. 60, 61.

[3] *Ibid.*, p. 59.

become considerable, to pay less than he had received and to speculate upon the fall of one or the other metal.

Fundamentally, the whole argument of the bimetallic portion of the commission rested upon the claim that the bimetallic system was practicable and beneficial, inasmuch as it had now existed in practical operation for sixty-four years.[1] The compensatory theory was stated in its extremest form,[2] and the argument that bimetallism could overcome commercial crises or render them ineffective was laid down.[3] The fact that, although the world's stock of gold had quadrupled, yet the ratio stood at essentially the same point as in 1803 was given especial weight as going to show that the existence of the bimetallic system in France had been absolutely successful in keeping the ratio "steady."[4]

The possibility of immediately abolishing the double standard was a question of greater practical importance than either of the others. However, it received the least attention of the three, owing, no doubt, to the ease of retiring the small amount of silver now in circulation. The minority of the commission, in their report, considered it sufficient merely to mention the great preponderance of gold in the circulation. This would render it comparatively easy even to retire the silver five-franc piece, if so extreme a measure should be thought expedient. This was so familiar that it was not even disputed by the majority report. Only the argument that the value of gold would be likely to rise on account of the increased demand was urged in opposition, and it was even admitted that the single gold standard would be the one most likely to meet with the approval of the other European countries, and thus to strengthen the Latin Union.[5]

Almost simultaneously with the action of the Conference of 1867, came the report on money presented to the Committee on Weights and Measures of the International Exposition of 1867.[6] This document dealt nominally with the possibility of effecting an international monetary union and the means which would be appropriate to the accomplishment of this end. It recognized

[1] *Ibid.*, p. 61. [2] *Ibid.*, p. 62. [3] *Ibid.*, p. 62. [4] *Ibid.*, p. 63. [5] *Ibid.*, pp. 63, 64.

[6] For text, see *Journal des Économistes*, 1867, vol. ii. p. 255–262.

that unless a stable basis for the monetary system could be attained, it would be useless to attempt to universalize the French system. It was, therefore, recommended that the double standard be abandoned.[1] However, no official action was taken. The political events of the time were such as to absorb public attention,[2] and not even the declaration of the congress of German economists, which passed resolutions favoring international monetary uniformity and the gold standard, with the adoption by Germany of some monetary unit bearing a simple relation to the five-franc piece, served to revive the schemes for international monetary action.[3]

Nothing was done during the latter portion of 1867. During the earlier part of 1868 new interest was shown in the monetary question not only in France, but also in various foreign countries. The invasion of the French circulation by silver was beginning to attract attention. The value of silver, which had temporarily risen, fell again in a marked way, and silver began to flow to the mints and to the bank. Much interest was also aroused by the work of the Royal Commission established in England by the

[1] The community and uniformity which the committee seeks to establish are limited to the gold coin. One might draw from this the conclusion that, according to the opinion of the committee, the states of the union will have the right to maintain by the side of the gold coin, and with the same legal-tender quallty which they have, some silver coin; in other words, that they can serve or introduce the double standard. It is this which [our] proposal desires to avoid.

The object of monetary union is not only to effect the coinage of uniform moneys by different nations; it is further necessary that these coins should everywhere enter into circulation and should there maintain themselves, and that their intrinsic value should be scrupulously preserved. This could not be accomplished under the régime of the double standard of gold and silver; that is to say, supposing that the same unlimited legal-tender quality should be accorded alike to gold and silver coins. . . . Monetary union would exist only in appearance if all nations were alike able to replace at any moment the coins of the union with others, or to diminish the weight settled upon by the union. It is this very thing which would take place under the system of the double standard. Furthermore, speculation upon the coin, which it is the wish of the movement for unification of moneys to abolish forever, would not cease, and would even augment in proportion to the extent of the union. This is why [our] proposals declare that the system of the double standard should be abandoned wherever it exists. *Ibid.*, pp. 260–262.

[2] See FYFFE, *History of Modern Europe*, vol. iii. pp. 400 *et seq.*

[3] For text of resolutions passed, see *Journal des Économistes*, 1867, vol. ii, 1, pp. 489.

order of February 18, 1868. In July this commission reported, favoring the reduction of the sovereign to the value of twenty-five francs and the retention of the gold standard.[1] In Sweden, also, monetary desires refused to be satisfied with silver. The law of July 31, 1868, decreed the coinage of certain gold pieces after the French system.[2] The adoption of the gold standard thus seemed to be a prerequisite to the prosecution of the plan for an international money, and at the time when monetary matters were before the chambers, in view of the retirement of the two-franc, one-franc, fifty-centime, and twenty-centime pieces, coined before the treaty of 1865 (as ordered by the law of June 17, 1865), the opportunity was taken to give notice of a motion for doing away with the silver five-franc piece.[3] The action, however, was premature and came to nothing.

It was during this period that a new mode of argument began to be adopted by the advocates of bimetallism. The investigations of Soetbeer and others had shown that the customary statements concerning the supply of the precious metals, ordinarily relied upon by the supporters of silver, were untrustworthy. Consequently the need of some new argument for the existing régime was felt.[4] This was found in the statement that silver had invaded France to a degree much greater than was commonly supposed, coupled with exaggerated estimates of the amounts of Italian silver coin imported. The impossibility of demonetizing so enormous a mass was urged, and it was maintained that silver was much preferred to more convenient coin by the rural population. These arguments, as will be noted, were of a local nature, and were thus quite distinct in character from those of a general sort hitherto most relied on. When, therefore, the ministerial *Arrêté* of July 22, 1868,[5] responded to public demand by decreeing a new investigation of the monetary

[1] See *Enquête sur la Question monétaire*, Paris, 1872, vol. i. pp. 215 *et seq.*

[2] *Ibid.*, pp. 133–39. [3] *London Economist*, June 27, 1868, p. 737.

[4] See LE TOUZÉ, in *Journal des Économistes*, 1868, i, 1, p. 420; also LAVELEYE, in *Revue des Deux Mondes*, 1867 (July).

[5] *Enquête monétaire*, de 1868; *Documents relatifs à la Question monétaire*, Paris, 1868, pp. v–vi.

question, which was this time to take the form of an *Enquête*, it was decided that the investigation should be prefaced by an exhaustive inquiry which should either substantiate or overthrow the arguments just outlined. This inquiry took the form of a set of seven questions which were addressed to the *Trésoriers Payeurs Généraux* and the *Chambres de Commerce* throughout the empire.[1] One hundred and fifty-six replies were received—ninety-one from the *Trésoriers* and sixty-five from the *Chambres*. The result of the inquiry was to dispel certain previously accepted notions. The questions sent out included inquiries as to the proportion of gold and silver coin in the payments to the government during the preceding ten years and the comparative amounts of gold and silver five-franc pieces probably in circulation. It was also asked how the public were disposed toward the retirement of silver, and whether it would be expedient to retain the five-franc piece, possibly at a lowered fineness, for use as a commercial money.

According to the replies to these questions, silver formed as yet a comparatively unimportant proportion of the circulation. Nevertheless the percentage of five-franc pieces received by the *trésoriers* in the payment of taxes was considerable. This, it was stated, was due to the general dislike of the silver five-franc piece and the preference for gold in payments of considerable amount. Many of the *trésoriers* accounted for the large proportion of five-franc pieces they received by the unwillingness of individuals to accept them in ordinary transactions. The amount estimated to be still in circulation was augmented by the habit of hoarding, which still prevailed among the country people, and by the quantities in the vaults of the Bank of France.[2]

The *Chambres de Commerce*, to whom substantially the same set of questions had been sent, estimated the proportion of silver five-franc pieces in the circulation at an even lower figure. One point was, however, especially noted, both by the *Trésoriers* and by the *Chambres*. They regarded the recent reappearance

[1] See *Résponses des Trésoriers-Généraux et des Chambres de Commerce. Procès-Verbaux et Rapport de la Commission monétaire*, etc., Paris, 1869, pp. 202–275.

[2] Cf. *Journal des Économistes*, 1868, vol. i. 2, p. 465.

of the five-franc piece, although as yet in small amounts, as a serious menace to the existing convenience of exchange and stability of standard. These considerations led to the expression of a desire for the re-establishment of the single gold standard.

The general verdict was thus summed up and presented to the body of investigators who conducted the *Enquête* of 1868:[1]

	For gold standard	For bimetallic standard	Doubtful
Receivers general	69	9	13
Chambers of Commerce	44	13	8

This gave a total result of 113 responses in favor of gold as against twenty-two for bimetallism—a verdict which might safely be regarded as representing with fair accuracy the sentiment of the general mercantile public on the question. General opinion favored the maintenance of the five-franc piece in circulation on the same footing as the subsidiary coin and in limited quantities. Thus the results of the government investigation tended strongly to injure the bimetallic cause. It showed clearly that the people were not in favor of bimetallism. The later course of the investigation furnished ample evidence that the opposition to the abrogation of the law of 1803 came, as before, chiefly from the Bank of France and the *haute finance*.

Although the replies to the set of questions sent out had all been received by May 11, it was not until July 22 following that the *Arrêté*, appointing the Commission which was to conduct the government *Enquête*, was signed. Five days later, the commission began its labors. It will be necessary to consider the outlines of the work accomplished by it.

1. The relation of the unity of the standard to international monetary uniformity was not clearly discussed by the bimetallic members of the commission. They appeared, however, to believe that the importance of such uniformity had been greatly exaggerated, and that the verdict of the International Monetary Conference of 1867 had been based on abstract theoretical grounds of little practical importance. The best way to attain monetary uniformity would be to approach the problem from

[1] See *Procès-Verbaux et Rapport de la Commission monétaire;* Paris, 1869, Troisième Séance, p. 19.

another side and to attempt to attain uniformity of weights and measures and uniformity of the fineness of the coin.[1] The majority of the commission, on the other hand, were strongly in favor of a single standard, believing its adoption to be an absolute prerequisite to international action.[2] They enlarged upon the advantages to be derived from an extensive monetary union of states. The experiment of the Latin Union, and the subsequent decision of the Conference of 1867, had already shown very clearly that the adoption of the bimetallic policy by any considerable number of countries could not be hoped for. Thus, the only course was the adoption of gold as the exclusive basis of the monetary system. It was, therefore, the opinion of the commission "in the present state of public opinion, of evidence, of conferences, and of diplomatic precedents. . . . that, by adopting a single standard, we should favor the movement toward international monetary unification."[3]

2. A second and more important point in the deliberations of the commission was the effect of the adoption of a single standard upon the external commercial relations of France. The main argument of the bimetallists in the effort to show that the single gold standard would prove inimical to the commercial interests of France was based upon the fall in the price of silver which, it was feared, would result from its demonetization. It was claimed that trade with the East would be crippled, and that all external trade would find itself hampered.[4] Commercial crises would be more intense under a single standard. The majority of the commission did not agree with these propositions. Twenty times more gold than silver, it was said, was being coined by civilized nations. Gold was rapidly becoming the only commercial money of the world. This was notably true in the important trade with England. Since silver had been superseded by gold in France the course of exchange with England had been much more favorable than before.[5] As shown

[1] *Ibid.*, pp. 160, 161; also pp. 4–36.

[2] *Ibid.*, pp. 163–168; also pp. 4–36.

[3] By a vote of 8 to 3; *ibid.*, p. 36.

[4] *Ibid.*, pp. 169–172.

[5] *Ibid.*, pp. 172 *et seq.*

by M. Clement Juglar, exchange had, between 1819 and 1852, frequently risen as high as 25 francs 90 centimes per pound sterling payable at London, while, since 1852, exchange had not exceeded 25 francs 30 centimes, although, during this later period, France had been much more heavily indebted to England than during the preceding one.[1] Nor could the contention that the silver five-franc piece was necessary for the purposes of Eastern trade be sustained. As a matter of fact, ingots and "piastres" were the forms of silver chiefly used in this branch of commerce. The bimetallic argument that the use of both metals would diminish the severity of commercial crises was answered by a reference to the fact that credit played a much larger part than either or both of the precious metals in effecting international exchanges.[2]

3. The third point discussed was the converse of the second and related to the effect of the introduction of the single standard upon the monetary circulation of the interior. Silver, it was said by the bimetallists, had by no means disappeared. At the very moment when the subject was being discussed by the commission more than 360 million francs in five-franc pieces were stored in the bank.[3] During 1867 and 1868 about 140 million had been coined. Over 248 million had made their reappearance during the same period, 113 million in old coins and 135 million in new. Moreover, the production of silver was on the increase, while that of gold was declining. If silver should be demonetized, gold would rise in price,[4] and the value of the total amount of silver owned in France would suffer a serious fall. By keeping open the mints to gold and silver at a fixed ratio, the relative price of the two metals would be kept "steady" in the same way as from 1803–1868.[5] The reply of the majority of the commission to these arguments reduced the whole controversy to two points of difference: "(1) Did the law of 1803 furnish a convenient and stable circulation and (2)

[1] *Ibid.*, and preceding debates.

[2] *Ibid.*, pp. 174–176.

[3] *Ibid.*, p. 177.

[4] *Ibid.*, p. 179; also pp. 37–47.

[5] *Ibid.*, 180–183; also pp. 37–47.

Would the single gold standard accomplish these results in a more satisfactory way?" It was shown that, whereas the market value of the metals had not experienced any extreme fluctuations in value, yet within sixty years two complete changes had taken place in the circulation.[1] Even now a third was beginning. Coinage of silver was on the increase. Gold was being, to a slight extent at least, displaced. Such changes had not been intended by the framers of the law of 1803. That act had aimed to establish a single standard. The fact that silver and gold were merely commodities and could not be regulated in value any more than other commodities should lead to the abandonment of attempts to fix a ratio between them.[2] Nations in general were divided into two main categories, in one of which might be placed those preferring gold, in the other those preferring silver, for use as money. In the latter class were to be found the less advanced and less civilized portions of the world.[3] Commercial nations in general were rapidly discarding silver. The replies received from the *trésoriers* and *chambres* were appealed to as evidence of the state of feeling existing in France.[4]

4. The expediency of allowing former contracts to be liquidated in silver, in case of the adoption of the gold standard, was also discussed, and it was recommended that no such liberty should be allowed.[5] An attempt was also made to show the hollowness of the compensatory theory, inasmuch as in all the history of the law of 1803 no effect in accordance with this theory had ever been observed.

5. Lastly, it was recommended by the commission[6] that the five-franc piece should neither be suppressed nor diminished in fineness, but that the following measures should be taken:

a) Modification of the treaty of 1865, by agreement with the states included in it, in such a way as strictly to limit the coinage of the silver five-franc piece.

b) Similar modification of the treaty of 1865, so as to allow the coinage of a 25-franc piece.

[1] *Ibid.*, p. 185.

[2] *Ibid.*, pp. 186, 187.

[3] *Ibid.*, pp. 183, 184, and pp. 188, 189.

[4] *Ibid.*, pp. 190–194.

[5] *Ibid.*, pp. 191, 192.

[6] *Ibid.*, p. 195; also pp. 109–114.

Before passing from the discussion of the *Enquête* it will be interesting to consider the attitude of the Bank of France toward the monetary question. In a former chapter it has been seen that at the time of the passage of the treaty of 1865 the *haute finance* had been strongly bimetallic in its leanings. This attitude was substantially maintained in the evidence given before the commission of 1868.[1] It was perfectly clear from the testimony of those examined that the bimetallic policy was likely to prove grateful to those who obtained a profit from the manipulation of the precious metals. Advice on the course to be adopted was also received from the Bank of France, which had been addressed upon the same subjects as the *trésoriers*. Its reply was a strong expression of opinion in favor of bimetallism.[2] After considering the various advantages derived from a bimetallic régime the communication closed as follows: "Your committee, believing that the experience of sixty-five years has demonstrated the advantages of the monetary régime of the year XI, and has revealed no inconveniences therein, and that this plan does not appear to be exclusive of the establishment of a universal money, is of the opinion that the system should be maintained."

The work of the commission thus resulted in displaying accurately the attitude of the various parties in France toward the monetary problem. The controversy, however, did not decrease in violence. Various new suggestions were offered, among them that recently revived as an original plan in the United States of mixing the two metals in a coin composed of gold and silver.[3] Others urged that the moment was especially favorable for a renewal of the scheme for international action, and renewed interest in the history of the bimetallic problem was shown.[4] Wolowski tried to prove in an article that the law of 1803 was not bimetallic, and attempted to justify it upon grounds of his own,[5] although it had really resulted in an

[1] See *Rapport de la Commission monétaire*, Paris, 1869, pp. 115–145.

[2] *Ibid.*, pp. 197–200.

[3] See *Journal des Économistes*, 1869, vol. ii. 1, pp. 215 *et seq.*

[4] *Ibid.*, 1869, vol. ii. 1, pp. 42–45. [5] *Ibid.*, 1869, vol. ii. 2, pp. 372 *et seq.*

alternating standard. The apprehension of an invasion of silver also gained greater strength.[1] "At this moment," said a writer in the *Journal des Économistes*, "though gold is as yet the dominant money, we see reappearing a certain quantity of five-franc pieces, but this reappearance is generally considered a disquieting symptom, and, if the value of silver should fall a little more, it is not to be doubted that the silver coin would flow anew into our country and drive out the gold coin, exactly as gold drove out silver fifteen years ago."[2] A movement was even supported, particularly in Belgium, to alter the fineness of the coin in such a way as effectually to preclude the possibility of the admission of silver into the coinage, unless its value should fall much more seriously than seemed probable.

In foreign countries indications that the general consensus of opinion still favored gold were not wanting. The statistical congress held at La Haye in the course of the year 1869, seeking for a common unit in which to express values, finally settled upon the gold ten-franc piece .900 fine; thus testifying its preference for gold as against silver.[3] Also in Germany the monetary problem had, for some time, been debated on account of the desire that the conflicting, or at best half-unified, systems of the different states should be harmonized. It was not long after the commission of 1868 that a convention of delegates from the German states was called by Prussia, and it was soon seen that the members were strongly in favor of a gold basis for the currency.[4]

All this, however, had no effect in hastening government action. M. Magne, the bimetallic finance minister, had hoped for a verdict from some one of the various government commissions which would justify him in disregarding popular demands for gold. He was unwilling to authorize the introduction of a government bill for the adoption of a gold standard into the chambers, for he clearly foresaw its passage.[5] Accordingly, in

[1] *Ibid.*, 1869, vol. ii. 2, pp. 28–57. [2] *Ibid.*, 1869, vol. ii. 2, pp. 270 *et seq.*

[3] *Enquête sur la Question monétaire*, Paris, 1872, vol. ii. pp. 97 and 307.

[4] *Ibid.*, pp. 310–320.

[5] Cf. *Journal des Économistes*, *Revue des Deux Mondes*, *Revue Contemporaine*, *l'Officiel*, etc., for the whole of this period.

a report to the emperor, dated November 8, 1869,[1] he advocated the appointment of a new commission. "There is no question," said he, "on which it would be more necessary to exclude all haste and to consult public sentiment before acting." He proposed that the monetary problem be investigated by the *Conseil Supérieur de l'Agriculture du Commerce et de l'Industrie.* The report was approved, and, despite the threatening political outlook, the *Conseil* began its work on December 9, 1869, continuing the discussion until the month of August of the following year.

The work of the *Conseil Supérieur* was more thorough than that of any other French monetary commissson before or since. Many competent financiers and economists were examined and their testimony carefully considered. A very accurate investigation of the principal problems involved was attempted, however. The results of this work had unfortunately no opportunity of influencing public opinion. No report was rendered to the government until late in 1870, and the disturbed state of public affairs then made monetary action impossible. Even the publication of the report was delayed until 1872,[2] owing to the destruction by fire of the first collection of materials for it. The evidence obtained by the commission has been already made use of at various points in this study. It is, therefore, only necessary to notice briefly the general tone of the report made to the government. The monetary systems advocated by the experts examined were of three sorts: (1) The system of the double standard; (2) the single gold standard .900 fine, with the gold five-franc piece and its multiples as basis; (3) the single gold standard with the gram of gold and its decimal multiples as basis. The first system was supported by eleven of those who made depositions. Among these were M. Rouland, governor of the Bank of France, and MM. de Rothschild and Wolowski. The gold standard, under the usual conditions, was advocated by twenty-three of those examined, while three

[1] See *Rapport de M. Magne sur l'Institution d'une Enquête sur le Régime monétaire* Paris, 1869.

[2] *Enquête sur la Question monétaire; Conseil Supérieur de l'Agriculture*, etc., Paris, 1872.

favored the system based on the gramme of gold. Of the actual members of the *Conseil Supérieur* fourteen voted for the gold, and five for the double, standard.

Thus the last and most thorough of the government investigations resulted in favor of the gold standard. Had it not been for the Franco-Prussian war, which, just at this time, interfered with economic progress, there can be little doubt that the law of 1803 would have been definitely abrogated. But, before the report was rendered, public attention had been diverted, and when, later on, the findings of the *Conseil* might have had some weight, circumstances prevented immediate action upon them. Just how this result came about we shall now try to see.

CHAPTER XI.

THE LATIN UNION AND THE FRANCO-PRUSSIAN WAR.

In the preceding chapters we have attempted to trace the progress of French public opinion on the monetary question. It has been seen that, at the opening of 1870, everything was ready for the introduction of measures definitely committing France to the gold standard. The opposition of the *haute finance* was still to be overcome, but it seemed probable that this would shortly yield. The question to be considered in the present chapter is that which naturally arises when it is recalled that, notwithstanding these facts, the Latin Union took no immediate action, in revising its monetary system; and, when measures for revision were actually introduced, they merely pursued a policy of compromise. Briefly, why did not the Latin Union adopt the gold standard in 1870? To suppose that a determination to adhere to a bimetallic policy was the fact which governed the attitude of the Latin Union in 1870 has led to the mistake of supposing that the union had set before itself from the beginning an ideal bimetallic standard, and was only induced to abandon it by the action of Germany and other countries in "demonetizing" silver.

It is thus important, in order to understand the subsequent history of the Latin Union, to grasp the real reasons for the non-adoption of the gold standard in 1870. As already seen, our previous discussion has shown that the Latin Union had not aimed at introducing bimetallism, and also that gold had been the practical basis of the monetary system. In 1870, the attitude of the allied countries was sufficiently clear. France, frightened at the encroachment of silver, was fully prepared to break with the régime of the law of 1803, while the smaller countries looked with satisfaction upon the prospect that the desires they had five years before expressed would at length be gratified.

At this moment, the position of affairs was changed by the outbreak of the Franco-Prussian war.

It was scarcely a month after the declaration of hostilities, on July 14, 1870, when specie payments were suspended by the Bank of France. That institution was authorized, on August 12, to cease redeeming its notes on demand. At the same time an increase in the issue of notes was decided upon and the limit was fixed at 1800 million francs. This amount, however, was considered insufficient, and two days later, it was raised to 2400 million francs. Before the end of the war, this sum had been increased to 3200 million francs, while the advances made by the bank to the government amounted to 1425 million francs. The political events of 1870-1 are too familiar to demand even a recapitulation. The victory of Germany and the treaty of peace signed May 10, 1871, with the absorbing occurrences of the year, followed so closely upon one another as to leave no opportunity for further discussion of the monetary problem. France found herself with an irredeemable paper currency which, although it suffered little depreciation as compared with gold, naturally displaced gold, driving it largely into the reserve of the bank or into private hoards. The monetary problem thus took on a new aspect. This fact did not, however, attract the attention which would ordinarily have been paid it. Public thought had been totally diverted from the question during the war and the events succeeding. The probability of legislative action consequently came to an end. Save for the publication of the proceedings of the *Conseil Supérieur* nothing was accomplished.

This natural distraction of public attention was by no means the only obstacle to monetary action. The payment of the German indemnity, agreed upon in the treaty of May 10, 1871, was an insuperable obstacle to reform. It was, of course, apparent that very elaborate financial operations would be requisite in engineering this great transfer of values. It was not unnaturally feared that the tendency would be to deprive France not only of the coin used in payment of the indemnity, but also of

whatever other gold might be in her possession. For this reason, even if all other circumstances had been favorable, it would probably have been considered expedient to retain the *cours forcé* as a possible protection against loss of gold, inasmuch as the bank would not be under the obligation of redeeming its notes. So long as the *cours forcé* existed, it seemed idle to think of measures for placing the country, in form as well as in reality, on a gold basis.

There was another way in which the necessity of paying the five milliards powerfully influenced the monetary situation. With the great increase of public burdens entailed by the war, came an unwillingness to take any step that would render the load heavier. It was maintained by some that to demonetize silver would entail a very heavy expense. It was also reported that, in the course of the operations required in settling with Germany, a considerable portion of the French stock of gold had been used, so that what remained would be inadequate by itself to form the basis of the monetary system. This statement was, of course, without foundation. The actual monetary payments made to Germany had included but about 273 millions of French gold—a sum quite insignificant in comparison with the total stock in the country.[1] Nevertheless, the belief that a large amount of gold had been used in this way was widely extended, and was associated with the idea that the possession of a circulation composed of both metals had rendered it easier to pay the indemnity. This statement received especially extended credence at a slightly later date.

[1] Léon Say, in his *Rapport sur le Payement de l'Indemnité de Guerre et sur les Opérations de Change qui en ont été la Conséquence* (see *Journal des Économistes*, November, 1874, p. 266), thus states the sums paid Germany in actual money:

Notes, Bank of France	125,000,000 f.
German notes and coin	105,039,145
French gold coin	273,000,058
French silver coin	239,291,875
	742,331,078.

Of the 273 million francs in gold 150 millions were furnished by the Bank of France and 123 millions were obtained by purchase or from government dues.

The greatest influence exerted by the war upon the monetary system has not yet been mentioned. As has been seen, the payment of the French indemnity had not materially lowered the French supply of gold. The mere passage of a law suspending the right to present silver for free coinage at the mint would have cost nothing, and would have shut out all possibility of the immense coinages which subsequently took place. Even the redemption of the five-franc pieces would not have been burdensome, inasmuch as a small reserve would have sufficed to insure confidence, while the greater part would probably have been retained in use as representative money. The real injury sustained by France from the war was that Germany was enabled partially to usurp the place of France as a leader in monetary affairs. Had Germany's fear of being considered an imitator not prevented her from adopting the franc as her new unit, the injury done to the monetary diplomacy of France would have been much greater. By adopting a unit identical with the franc, on a gold basis, she would have attracted to herself all the smaller countries which had imitated the monetary unit of France but were in disaccord with the principles of the law of 1803. This, indeed, was recognized by Germany herself. For a long time after unification had been effected, projects of monetary reform had constantly been urged. The Latin Union itself was really but an imitation of the older German monetary union, and it was now proposed by the German states to revive this older league. After the action of France and her allies in 1865, and the agitation for international monetary unification, the desire for a better system in Germany became stronger, and it was apparent that some step would soon be taken.[1] The

[1] FEER-HERZOG, in *La France et ses Alliés monétaires*, p. 46, gives the following list of German memoirs which had (1870) been issued since 1867:

I. Favoring a unit analogous to the franc: A. LAMMERS, *Deutsche Münzreform; Preussische Jahrbücher*, 1867, Heft 5; *Der Uebergang zur Goldwährung*, u. s. w.; Berlin, 1868. H. WEIBEZAHN, *Der Goldgulden als die demnächstige deutsche Rechnungsmünze;* Cologne, 1869. G. D. AUGSPURG, *Zur deutschen Münzfrage;* Bremen, 1868. F. XELLER, *Die Frage der internationalen Münzeinigung*, u. s. w.; Stuttgart, 1868. J. PRINCE-SMITH, *Währung und Munze; Annalen des norddeutschen Bundes*, 1869, Heft 1; Berlin. GESCHWENDER, *Zur allgemeinen Münzeinheit;* Erlangen, 1869.

opportunity was presented by the indemnity. Jealousy of France, however, prevailed over the more far-sighted policy, and the German law, passed November 24, 1871, adopted a unit which differed from the franc in such a way as to render any attempt to establish an equivalence between the two quite impracticable. While the franc was one two-hundredth of the kilogram of silver .9 fine, the new German thaler was to be one sixtieth of a kilogram of fine silver. Moreover, the new German system was based entirely on gold. Thus the separation between the currencies of the two countries was complete.[1]

The fact that Germany had adopted the gold standard, coupled with the difficulties in the way of immediate action, served, perhaps unconsciously, as a strong argument against gold in the minds of many of those in France who would otherwise have taken the opposite view. Several writers had already, with much plausibility, explained Germany's failure to adopt the franc on the ground of jealousy of France.[2] The same explanation might, with equal fairness, be made of France's failure to adopt the gold standard immediately after the war, before the increasing depreciation of silver had rendered some action an immediate necessity.

With a return of more nearly normal conditions, however, it became clear that the monetary question would not be allowed to rest. The partisans of a gold standard had unquestionably lost ground. Still, the gold party was yet strong, and it was

A. SOETBEER, *Denkschrift betreffend deutsche Münzeinigung;* Berlin, 1869. SOETBEER'S articles in *Bremer Handelsblatt* and in *Hamburgische Boersenhalle.*

II. Adoption of the unit of 1½ grammes fine gold (American unit): G. D. AUGSPURG, *Zur deutschen Münzfrage*, III and IV; Bremen, 1869.

III. Adoption of a unit of ten grammes of fine gold: NOTHOMB, *Die Weltmünze; Preussische Jahrbücher*, August, 1869; Berlin. A. G. MOSLE, *Das Teutonische Münzsystem;* Bremen, 1870.

Also H. WEIBEZAHN, in *Kritische Umschau auf dem Gebiete der Vorschläge zur deutschen Münzreform*, Cologne, 1870, argued the advantages of the French system over the decagramme as the German unit.

[1] See PARIEU, in *Revue de France*, July 1872.

[2] See BONNET, in *Revue des Deux Mondes*, November 1873.

rendered especially active by the threatening conditions which now began to prevail in the market. It seemed likely that some action on the monetary question would soon be precipitated by great changes in the relative value of the two metals. The opportunity of anticipating Germany had been lost, but there was yet abundant time for the adoption of measures of self-protection.

CHAPTER XII.

FIRST STEPS TOWARD THE GOLD STANDARD.

Every one associates the year 1873 with the fall in the value of silver, yet it is now well established that the depreciation of silver began long before the market could have been in any way affected by sales of silver excluded from European coinages. This interesting point cannot be discussed here. It is merely adverted to because the statement is frequently made that the attitude of Germany, combining and coinciding with the well-known facts in the monetary history of Europe, forced the Latin Union to depart from a bimetallic policy. It has, however, been shown that as early as 1870, or even sooner, certain countries of the Latin Union had pretty definitely settled on measures looking to a single standard. The rude interruption of all existing plans, caused by the Franco-Prussian war, had enabled Germany and the Scandinavian countries to seize the opportunity for getting the start in adopting a single standard. The law of December 4, 1871, announcing Germany's desire to enter upon the new policy she had laid out for herself, more strongly than ever directed the attention of the members of the Latin Union toward the advisability of some similar attempt. It has been noted how, at this juncture, the weakness of France prevented any monetary change. Even had France been ready, the disturbed condition of affairs in Italy would still have stood in the way. Thus, for more than a year after Germany's formal step, the unfortunate circumstances of the time kept the Latin Union from following the example of Germany, although the action of the other countries had convinced almost all that some measure must be taken.

The depreciation of silver was not, indeed, very serious during 1872. While the price had averaged 60.85d. at London during 1871, it had only fallen to 60.5 in 1872, the extreme limits being 60.12 and 59.10, the latter point being reached in

December 1872. This was the lowest point touched by the price of silver since 1848. The effects of the general prepossession against silver were beginning to show themselves. In November, 1872, silver had for the first time during twenty-four years sunk below 60 d. per ounce. Throughout the year 1872, the monthly average had regularly been below the price for the corresponding date a year earlier and, although the depreciation had not been great enough to cause unusual coinage of silver, it had almost entirely prevented the coinage of gold throughout the countries of the Latin Union. In France, the gold coinage of 1872 had been absolutely nothing, and the same had been true in Belgium; in Italy, only the nominal sum of 66,100 francs in gold had been struck, and Switzerland had maintained her old policy of striking no gold. The coinage of silver five-franc pieces for 1872 had amounted to but 45 million francs in Italy, 10.2 million in Belgium, 389,190 in France, and nothing in Switzerland—a total of only about 55.5 million of silver five-franc pieces throughout the union. At the same time with these comparatively small coinages, there coincided a change in the balance of trade in the import and export of gold and silver. As we have already studied this movement, we need only remark that the balance, hitherto in favor of the Latin Union with regard to gold, now turned the other way, and more gold was exported than was imported in the course of trade.[1] At the same time, largely increased amounts of silver began to come in, especially from England. This was most noticeable in the months of November and December of 1872. The movement thus begun did not diminish in strength. During the early part of 1873, silver was imported into France and Belgium in such quantities as to cause alarm in many minds. Others believed that the movement was due to a mere temporary fluctuation in the price of silver which would soon cease, as so many such fluctuations

[1] It is hardly fair to quote mere statistics here. None of the countries except Belgium were in such condition as to enable us to look at the gross import and export figures without making necessary deductions, etc. In Belgium the export of gold exceeded the import by 3.1 millions in 1872. But for interesting statistics, see *Documents relatifs à la Question monétaire*, compiled by J. Malou, Brussels, 1874, p. 186, ff.

had ceased before. This, however, was not to be the case. During January, February, and March, of 1873, over 52 million francs more of silver were imported into France than were exported out of the country.[1] The course of events in the other countries of the Latin Union was similar. In Belgium, the perturbations of the currency were very violent. Belgium began rapidly to exchange her gold for silver. Italy was not subject to quite the same influences. The state of her currency and the weakness of her general commercial situation kept her from suffering much more severely than she had during the years immediately previous. Switzerland was too comparatively unimportant to feel the first effects of the movement.

The first result of this increased importation was of course a large increase in the silver coinage of France and Belgium. It was probably partly owing to Belgium's geographical position that she was the country most severely affected, just as she had been during the analogous troubles anterior to 1865. Silver began to come into her mints in amounts which were large enough to make the situation very serious,[2] especially as it began to be evident that organized speculation was draining Belgium of her gold. These circumstances soon began to manifest their weight in commercial circles. The controversy which had for some time been going on in the press now took a more virulent form. Professor Émile de Laveleye was the strongest advocate of the bimetallic policy, while many others, among them Frenchmen like Parieu, argued for gold. In Belgium, as elsewhere, the mercantile interests, however, recognized without hesitation what they considered the pressing need for the single gold standard. This general public opinion led M. Frère Orban, a strong partisan of the gold policy, to demand in the Chamber of Representatives, on July 22, 1873, that the convention of the Latin Union be again convoked.[3] But the finance minister had other plans in mind, being anxious that Belgium should not take the initiative, and the matter was allowed to drop.

[1] *Économiste Français*, 1873, p. 194. [2] Cf. *Journal Officiel*, 1873, p. 6492.

[3] *Documents relatifs à la Question monétaire*, Brussels, 1873, p. 219.

In France public opinion tended strongly toward some restriction of the daily increasing coinage of silver. It was clear that something ought to be done, and as a first step in the direction of a change, the silver coinage was, on September 6, limited to 250,000 francs per day. Such a measure as this was too slight a remedy for the difficulty, especially as it was for a time kept secret,[1] and hence France did not feel even the slight effect that might have been had from it, if it had been made public. The measure was found almost useless, since it fixed so high a limit that, if constantly enforced, the coinage would nevertheless be enormous in the course of a year. Consequently, the limit was soon lowered (in November) to 150,000 francs per day, and this restriction caused so great a delay in delivering coin, owing to the diminution in the permissible mint-output that the restriction soon became an open secret.

France had not been the first to practice the restrictive policy. After the refusal of the finance minister to call for a meeting of the delegates from the countries constituting the Latin Union, it was felt that Belgium must take some action before the free coinage of silver should completely deprive the country of all her gold coin. As a temporary measure, the finance minister had resorted to a revival of an old decree of 1867 that limited the daily coinage of silver to 150,000 francs for the public and 150,000 francs for the *Banque Nationale*.[2] It was high time that something should be done. Already the coinage of silver had during the first six months of 1873, amounted in Belgium to 73.5 million francs, although the aggregate Belgian coinage of silver five-franc pieces had amounted, before 1873, to only 346 million francs. During the earlier part of 1873 the decree of 1867 was constantly in force. Now, however, it was seen that some stronger measures must be adopted. The finance minister began to cast about for some provisional plan. On consulting the *Banque Nationale* he found this institution to be of opinion "that

[1] M. PARIEU, in *Journal des Économistes*, January 1874, p. 49.

[2] *Documents relatifs à la Question monétaire, ante cit*, p. 219; also *Exposé des Motifs* of law in *Économiste Français*, 1873. p. 915.

the single standard should be adopted."[1] It indicated as immediate measures the suspension of the coinage of silver five-franc pieces and the summoning of the convention of the Latin Union for the purpose of determining upon what course to follow. The latter of these measures the finance minister had already indicated his unwillingness to adopt. The first was entirely in accord with his own wishes. He therefore determined upon calling a conference of experts to discuss some of the technical points in question, such as the relation of Belgium to the Latin Union, But before attempting any consideration of this conference it will be well to glance very briefly at the course of events in Italy and Switzerland.

The latter country had, by its insignificant size and comparative commercial unimportance, escaped for a while the effect of the speculations in the precious metals. When the field for speculation in the other countries began to be somewhat limited by the general desire to put a stop to these operations, recourse began to be had to Switzerland, where a peculiar condition of affairs had rendered precautions abortive. It will be remembered that Switzerland had always relied on France for gold coin, and had never struck any of her own. We have also seen that prudence had led her to pursue the same policy with regard to the silver five-franc pieces. Only in 1852 had any of these coins been emitted (prior to 1873). In the latter year, about 10,000 francs of these coins were struck, but the coinage was all done for the government. Thus the free-coinage bugbear had never been dreaded in Switzerland. The coinage laws passed anterior to the convention of 1865 (in 1850 for silver and in 1860 for gold) had, however, granted to the coins of the union the legal-tender quality.[2] Thus the standard coins of all three of the other countries were receivable to any extent in Switzerland, not only at the public offices, as expressly provided by the treaty of 1865, but also in private transactions of all kinds. Thus,

[1] *Documents relatifs à la question monétaire, ante cit,* p. 220.

[2] *Conférence monétaire internationale entre la Belgique, la France, l'Italie, et la Suisse, Procès-Verbaux,* 1874, p. 4.

Switzerland was in as bad a situation as any of the other countries. True, she was not, like France and Belgium, constantly putting out a coin of lowered value, which she might ultimately have to redeem, but she stood in great danger of having her gold driven from circulation by the influx of silver.[1] That is to say, instead of a circulation composed to a considerable extent of foreign gold she would, if speculation should continue, have one almost entirely made up of foreign silver. During the last six months of 1873, Swiss banking houses engaged actively in exporting gold twenty-franc pieces. With these they bought in London silver bullion, had it coined in Belgium, Italy, or France, and imported the coin into Switzerland where they placed it in circulation.[2] This operation was constantly carried on during the latter portion of 1873. Feer-Herzog estimated the gain as follows (silver being taken as worth 58d. per ounce):

Gain on 10 million francs export	500,000	
Expense of coinage		75,000
Premium on gold		20,000
Transportation and insurance and loss of interest		75,000
	500,000	170,000
Net gain		330,000
or almost 3.3 per cent.		

In Italy much the same condition of things existed. Italy had been drained of much of her specie before this, for the depreciated paper had begun very early to drive it from circulation. So far as there was any of it yet remaining, it at once became the prey of the money speculators, and silver was shipped in considerable quantities to France for the purpose of exchanging it against the French gold coinage. Nevertheless, although the coinage of silver still continued free in Italy, it did not reach any such alarming proportions as in Belgium and France. It was, in fact, quite moderate, and, during the year 1873, the coinage of silver five-franc pieces aggregated only 42.2 millions as against 35.6 millions the year previous.

In the meantime the foreign monetary reforms were going

[1] *Ibid.*, p. 29. [2] *Ibid.*, p. 29.

vigorously on.[1] June 26, 1873, a report had been made to the King of Holland, recommending the adoption of a single gold standard and the immediate demonetization of silver. Substantially, the recommendations of the commissioners were adopted, and, on October 31, 1873, a law embodying a scheme for the adoption of the gold standard was presented to, and passed by, the States-general.[2] In Germany, too, the monetary reform proceeded rapidly.[3] On November 15, the London *Economist* announced[4] definite action on the silver question, to take place April 1, 1874. Prior even to this, the International Monetary Conference held at the Vienna mint, had, on September 1, 1873, passed, among others, the following resolutions:

In view of the facts:

1. That gold, by its value and ease of transportation, is more suitable than silver to serve as money when the more considerable amounts are in question, and especially for travelers.

2. That a country which has the double alternating standard can be driven little by little to a single silver standard because its gold will go abroad on every occasion when it is most needed; the conference is of opinion:

a) That the single gold standard with silver and copper subsidiary coin of obligatory currency limited to a certain amount, is preferable to a single silver standard as well as to an alternating standard;

b) That a gold international money and a common gold type ought to be established in all countries which have already a single gold standard or which wish by degrees to introduce one, giving it a special field of circulation which can be more and more enlarged until this silver standard shall be entirely abolished.[5]

These events were not lost upon the financiers and merchants of the Latin Union. In November 1873 the agitation for some

[1] Cf. *Journal Officiel*, 1873, p. 5367.

[2] *Documents relatifs à la Question monétaire*, p. 31 *et seq.*

[3] Cf. *Journal Officiel*, 1873, p. 89.

[4] *London Economist*, 1873, November 15.

[5] *Économiste Français*, 1873, p. 745.

step toward a sounder basis became more vigorous. The Chamber of Commerce of Lyons addressed to M. Magne, the finance minister, a letter explaining the views of that organization upon the monetary question.[1] It began by alluding to the difficulties experienced by the branches of the Bank of France in the neighborhood of Lyons arising from the speculative import of foreign (especially Italian) silver five-franc pieces. Although the branches had not actually refused the deposit of these coins, they had strenuously endeavored to exclude them from their coffers by threatening to close the accounts of all merchants who should bring them in quantities for deposit. From what information could be gained, the banking interests were well satisfied that organized speculation was draining the country of its gold. Since 1858, the Chamber said, it had been continuously in favor of the single gold standard on grounds of a general nature. It now recommended that steps be at once taken towards an adoption of it as a purely practical measure necessary to save France from the great loss which would result from her being deprived of her gold. This, after a brief discussion of recent monetary events, it concluded was the only practical measure to be adopted, and to this end they desired that a new conference of the Latin Union should forthwith be held.

The general and mischievous attempts at speculation were in fact being felt throughout France. As early as September 12, 1873, the Bank of France had refused to make further advances on deposits of silver bullion,[2] in the vain endeavor to check the influx of silver. It now practically refused to receive for deposit Belgian or Italian five-franc pieces, but this measure did little to retard the progress of speculation. By the middle of November 1873, silver five-franc pieces had depreciated outside the union to the extent of 1.2 per cent. They were, therefore, purchased for payments to the French customs offices or treasury, which were legally obliged to receive them, and a combination was organized for the liquidation of the remaining installments

[1] *Économiste Français*, 1873, November 21, p. 913 for text.

[2] *London Economist*, 1873, September 13, p. 1115.

of the national loan in depreciated silver.[1] France had worked off some hundreds of millions of francs in silver upon Germany in payment of the indemnity, and these had found a home in Alsace and Lorraine, where they were circulating at the rate of one silver five-franc piece for 1 1/3 thalers.[2] These now began to come into France in considerable quantities, and it was, of course, impossible for the bank to refuse to receive them. Thus France was being flooded with silver from all sides. Not only did all of her own silver come home at once, but many foreign silver coins were sent in for re-coinage. By the end of September, the import of silver for 1873 had exceeded the export by more than 35 millions of francs.[3] During the remaining months of the year, the import went on at an even greater rate. By the beginning of November the bank had about 140 million francs of silver on hand. It decided to utilize as much of this as possible in redeeming its notes.[4] A considerable sum was paid out the first day, but the next day deposits of silver five-franc pieces were double the amount paid on the first day. The more the bank tried to free itself the more it became loaded with silver.

In Belgium much the same process was going on. In an earlier part of our work, we studied the movement of gold and silver into and from Belgium anterior to 1865. This process seemed now about to repeat itself. In the course of the German monetary reform, the Austrian silver florin was deprived of the legal-tender quality which it had hitherto enjoyed in North Germany. This would naturally, under ordinary circumstances, have forced these coins back into Austria. Owing to the fact that the rate of exchange was unfavorable, this movement did not take place. There was no field for the coins in Germany, now numbered among the countries of the gold standard. Belgium was the most available country to which to send them. Exchange was favorable and a large profit would be made if they could be recoined before the Belgian law prohibiting the free coinage

[1] *London Economist*, 1873, November 22, p. 1413.

[2] *London Economist*, 1873, September 13, p. 1115.

[3] *London Economist*, 1873, p. 1385.

[4] *London Economist*, 1873, p. 1357.

of silver should be passed. Everyone saw that the passage of such a law was a foregone conclusion. Consequently the florins were hastily shipped into Belgium in large amounts.[1] It was clear that no time must be lost in drafting and adopting some legislative measure which should put an end to the necessity of Belgium's continuously incurring the heavy responsibility of issuing in large quantities a coin which was already worth as bullion less than 97 per cent. of its face value. Even now, the silver coinage of 1873 amounted to something over one-half the aggregate silver coinage of the six years expiring at the beginning of 1873.

This, then, was the monetary situation in the various countries of the Latin Union, when Belgium took the first steps toward a change. On October 27, 1873, a conference of Belgian economists met at the summons of M. Malou in Brussels. In order to secure the attendance of men whose deliberations would be worthy of attention, M. Malou had, one week previous, addressed to the *Banque Nationale* and to some of the various societies of an economic nature, a letter[2] inviting them to send to the conference a delegate who should represent their interests or views. Well-known individuals had also been invited to attend. Thus the meeting was a fairly representative one. Logically, the first question to be decided was whether or not the treaty of 1865 still retained its binding force on Belgium and, if so, how far this extended. The argument of those who believed that the treaty had lost, in large measure at least, its obligatory character, was founded solely upon the fact of the existence in Italy and France of the *cours forcé*. These legal-tender notes, it was said, were not in existence at the time of the drafting of the treaty in 1865, and it was now believed by some that their forced circulation and the resultant movements and fluctuations of the currency had absolved Belgium from her allegiance.[3] In reply, it was urged that the treaty of 1865 had

[1] *Économiste Français*, 1873, p. 915.

[2] See *Documents relatifs à la Question monétaire*, pp. 217, 218.

[3] *Documents à la Question monétaire recueillis par M. J. Malou*, Brussels, 1874, pp. 246–247.

been formally ratified by Belgium two full months after the establishment of the *cours forcé* in Italy, which had occurred on May 1, 1866. If the Belgian government had regarded the bestowal of the legal-tender quality upon the notes as in any sense impairing the treaty obligations, then the ratification should have been only provisionally made.[1] It was weakly argued that only when the forced currency of the note circulation was extended to France did the circumstance become sufficiently noteworthy and important to release[2] the contracting parties from their obligations. Thus, according to these reasoners, the treaty could now no longer be regarded as possessing any force in Belgium. The emptiness of this argument was apparent. Clearly the treaty had as good a claim to recognition in 1873 as in any preceding year, since none of its provisions had been contravened. It only concerned the coinage of gold and siiver, and made no stipulation either as to the use of paper or the suspension or limitation of the coinage of either one of the two metals. The latter point was important. It was clearly understood by the Belgian minister of finance, who commented upon it[3] as "an incontestable right." No actual vote on the general question of the treaty obligations seems to have been taken, but general opinion held to them as being still as binding as ever.

It was also a question of great moment whether or not the government had the right, by a ministerial decree, to regulate the coinage or whether the matter must be submitted to the Chambers. If the latter method were resorted to, it was feared that party opposition might so alter the bill that the difficulty would not be met. Perhaps, even, it might not pass at all. It was held by one set of speakers that the right of the public to the free coinage of silver had been guaranteed by the law of 1803, by the law of 1832, and by the various acts of monetary legislation passed by the Chambers. In reply, it was said that the decrees of the minister and of the king, which had from time to time been formulated according to the needs of the period, had sufficiently established the governmental right to regulate

[1] *Ibid.*, p. 252. [2] *Ibid.* [3] *Ibid.*, p. 252.

the coinage. A long polemic took place, and it was finally decided that for the adoption of so radical a measure the passage of a law would be expedient. Many other arguments were likewise set forth, but, in general, no results were attained.

The conference reached two principal decisions:

1. That for Belgium to attempt by herself the adoption of the single gold standard was impossible.

2. That it was to her interest that the Latin Union adopt the single gold standard. The vote on this point stood five to three, two members abstaining from giving their votes. In accord with the suggestion, which had been made by the conference, M. Malou, the minister of finance, prepared and submitted to the conference on October 30 a bill, giving to the government authority to limit or to suspend the coinage of silver five-franc pieces until January 1, 1875.

The bill was approved and was accordingly proposed in the Belgian Chamber of Representatives, where it was referred to a committee to be reported upon. This report was presented about the middle of November and was moderate in tone.[1] It called attention to the fact that in Belgium alone, small as it was, the coinage of silver for 1873 would aggregate more than 100 million francs. This it regarded as a serious menace, as an indication of what might be expected under a free-coinage régime. In closing the report said:

> Monetary problems are complex and difficult; the tendencies toward a single standard or, in default of this, toward a money common to many nations, force us not to consider these problems always with regard to ourselves alone. Uncertainty reigns in a great number of minds. This situation commands us never to compromise ourselves in any respect. The advantage of the proposed measure is to keep the future in our power. Whatever opinion one may have upon the line of conduct to be followed, whether one hesitate or have made up his mind, he will in any case recognize that it is wise not to allow the coinage of silver to increase beyond measure.

The *exposé des motifs* which accompanied the law was more decided in its outline of the situation.[2] It briefly recapitulated the important events of the year 1873, laying stress upon the

[1] For text, see *Économiste Français*, 1873, p. 915. [2] *Ibid.*

unusual flow of silver to the mint, and the decree which had been put in force for the restraint of the coinage. It called attention to the fact that, whereas during the years 1867–1872, the coinage had been 188 million francs gold and 202 million francs silver, the present coinages were totally disproportioned to the needs which had previously been manifested, and that therefore the large new silver coinage was unjustifiable. Still, the coinage should not be interdicted by law, but should be left in the hands of the government for control. Hence the present bill. Concluding, the minister remarked:

> Confined to a rather brief period, this exceptional measure implies no change of system *nor even a tendency* toward such a change, which, in any event, cannot be accomplished if it is not in accord with the policy of our monetary allies, bound as we are by the Treaty of Union of December 23, 1865. It is an act of prudent reserve.

Thus recommended, the bill was passed and became a law. It was, however, decided that the bill should not be construed to apply to metal deposited for coinage anterior to its passage. Owing to the limitation which had been placed upon the free coinage of silver, there was now on hand, at the mint, silver sufficient to keep the establishment running for many days longer at the rate of 150,000 francs per day. For these deposits of bullion there had been delivered the so-called *bons de monnaies*. These were simply mint vouchers testifying that the bearer had deposited a certain amount of bullion for coinage and would be entitled to claim a certain amount of coin on a stated day. This day was ascertained by estimating the length of time required to coin the quantities of silver already on hand at the rate of 150,000 francs as the daily issue. These vouchers were usually negotiable like any other commercial obligation and were frequently deposited and discounted at the banking houses. Thus it would be a serious injustice to refuse to redeem in coin the vouchers already delivered. The amount outstanding was approximately, in round numbers, 12 million francs.

In view of the existing circumstances and the passivity of France, Switzerland was at last emboldened, notwithstanding her

comparative unimportance, to take a decisive step. In the early part of November, 1873, the Federal Council addressed to the French government a diplomatic communication requesting that a new convention of the Latin Monetary Union be summoned for the early days of 1874, with the object of introducing reformatory measures. The note was a practical declaration in favor of the single standard of gold and an invitation to France to join in inaugurating a new régime.[1] The origin of the document, as it itself set forth, was the continual demand made since the opening of the current year for a new conference. These demands were usually expressed through the agency of the Swiss Industrial Association. So far they had been unattended to, but now that the speculative operations had grown so apparent, the request could no longer be unheeded. Switzerland was, for the moment, in an even more unpleasant position than France or Belgium. Both these latter countries still had tolerably adequate stocks of gold coin of their own. Switzerland had none. Nor had she any amount worth mentioning of silver five-franc pieces of her own coining. She had been fast losing the little gold she had. Should she deprive foreign silver coin of its legal-tender quality, she would be upon a strictly gold basis, since she had very few silver five-franc pieces of her own and these would be wholly inadequate to serve the needs of her circulation. But there was not in the country, small as it was, enough gold to meet enlarged wants of this character, nor would it have been suitable for the needs of a simple and comparatively backward people. Thus Switzerland was practically bound to the régime existing in France, for she did not wish to incur the risk of issuing much silver of her own. At the same time, she was now very anxious that her system, that is to say, the French system as extended to Switzerland, should rest ultimately on a gold basis, and this was the reason of her desire for a general gold standard. After a brief survey and review of contemporaneous monetary events in Germany, Scandinavia, Holland, and the East, and an argument showing that, since these states

[1] For text of this document, see *Économiste Français*. 1873, p. 914.

were adopting the gold standard, it would be folly for France and her allies to adhere to the present policy, the note came clearly out with the expression of the opinion that the basis of the treaty of 1865 must be modified. In continuation, the Federal Council went on to say that it did not presume to dictate, but the bimetallic régime must be carefully examined to see if it "corresponds to actual needs, or if it would not be best to take measures of transition to the gold standard" in order to prevent the export of gold and its replacement by silver.

Much interest was aroused throughout the Latin Union. It was not long before it was formally announced that France would accede to the request of Switzerland by summoning a new conference, which should meet on January 8, 1874, to consider what innovations might profitably be introduced into the existing monetary system.

The question came up in the French Chamber on the Tuesday before Christmas. In discussing the matter, M. de Soubeyran, an ardent bimetallist, entreated M. Magne, the finance minister, not to appoint as delegates to the conference men who had preconceived ideas on the subject of changing the montary system. Even the *discussion* of the single gold standard would be a danger, he thought, since present embarrassments would be aggravated by the announcement to the world that France contemplated a change. Himself a bimetallist, the finance minister, M. Magne, did not attempt to controvert this statement, but he was sufficiently dispassionate to express the belief that the danger which might arise from an influx of depreciated coin was very real. At the same time, he believed that an attempt to withdraw from circulation the sum of 1500 million francs of silver would be an act of madness. M. Wolowski advanced the well-worn idea that the depreciation of silver was a purely temporary fluctuation. He thought that the resumption of specie payments in Austria and Russia would take off the hands of the monetary world a good deal of the silver which was now so troublesome. The idea that Switzerland should be the first to take the alarm at the export of gold was curious, since Switzerland

was the only one of the four countries which had never struck a single gold piece. The bank was accused of joining in the speculative coinage, but replied that its deposit of bullion for coinage had been solely for account of the treasury. If restriction could be effected the difficulties would be, to a large extent, obviated.

On December 18 the Belgian law, whose inception we have already studied, went into effect. The step came too late. Although so much had been said concerning the import of Italian coin into France, it was undoubtedly the case that there were far more Belgian than Italian coins circulating in France.[1] Thus Belgium would have placed herself in the hands of her larger neighbor, if it should become necessary to redeem the silver five-franc pieces. And for this unpleasant condition of affairs she had to blame only her own hesitating policy. This possibility of redemption does not, however, seem to have been seriously considered. Most of the interest centered about France and her monetary policy. It was with regard to this that the hottest controversy was carried on. The legal-tender notes, though already preferred to silver, and very nearly on a par with gold, were regarded by many as the greatest obstacle to an adherence to the policy of the single gold standard. M. Malou, the Belgian minister of finance, said:

> I should consider it absurd on the part of France to wish to adopt the single standard of gold at the present time, because it is by the influx of silver, and thanks to the law of the month Germinal An. XI, that she has been able to emerge quickly from the régime of the forced currency of the bank-note.[2]

The impression that the notes could not be redeemed in gold was a mistaken one. The idea that the indemnity had been paid largely in gold was not founded in fact. In reality, it had been chiefly liquidated in Italian, Turkish, and Egyptian public stock, together with stock in Austrian, Lombard, and other railways,

[1] *London Economist*, December 27, 1873, p. 565.

[2] *Ibid.*, 1873, p. 1381.

and with commodities. Only 273.4 million francs in gold had been paid to Germany.[1]

But, however the bimetallists and the advocates of the gold standard might differ on other points, they were generally at one in believing that, for the present, the unlimited coinage of silver five-franc pieces must come to an end. As M. de Parieu observed:

> Even now, speculators have an interest in replacing by silver the milliards of gold by the help of which twenty years ago they displaced silver, and are like woolen manufacturers congratulating themselves on the prospect of replacing the old army uniforms with new ones. Neither of these proceedings would be more beneficial to the public fortunes than the other, but that one which substitutes a heavy and burdensome metal for a convenient one is by far the more to be regretted of the two.

In short, the Latin Union, as a whole, was determined not to be robbed of the rest of its gold. Even Italy, in the early part of January, 1870, took the precaution of lowering the price paid at her mint for the kilogramme of silver from 220 francs 50 centimes to 218 francs 88 centimes.[2]

The only question, then, was what should be the character of the measures to be adopted. It was certain that the treaty of 1865 would be revised; the only question was, to what extent and how drastically. Or, would the countries find it impossible to come to a mutually satisfactory agreement and decide upon a complete abrogation of the treaty? A radical, thoroughgoing measure would be to deprive silver of legal-tender quality beyond a certain amount, and to adopt the single gold standard. The temporizing policy would be to limit or suspend the coinage of the silver five-franc piece. The great question, upon the answer to which hinged the eventual decision as to the policy to be adopted, was, what was to be the future price of silver? Personal interest, inertia, and national weakness were, of course, the three principal obstacles to radical change along the line of a reasoned policy. Under the first of these categories is to be

[1] M. Léon Say, *Rapport fait au Nom de la Commission du Budget de 1875 sur le Payement de l'Indemnité de Guerre.*

[2] *Conférence monétaire internationale entre la Belgique, la France, l'Italie, et la Suisse, Procès-Verbaux*, 1874, p. 4.

included preëminently the opposition of the great banking institutions, and, secondarily, that of some private firms who were large holders of silver, or were in some way interested in its future. Under the second head, we place all those influences which tend to retard progress along monetary lines, such as the mere labor and expense of change. The third rubric covers the peculiar circumstances of the time, as regards national policy, and the unusually difficult situation of France and Italy.

CHAPTER XIII.

THE CONVENTION OF 1874.

It was on January 8, 1874, that the delegates from the four countries once more met at Paris, in accordance with the demand which, as we have seen, had been made by Switzerland. The spirit of the convention was pessimistic. Already, a feeling was cautiously expressed that perhaps it might be well to dissolve the union. It was true that by the depreciation of silver some of the difficulties which the union had aimed to obviate were now no longer threatening. The unexpected and unparalleled depreciation of silver had removed the fears of losing all subsidiary coin in circulation, while, on the other hand, new circumstances, whose weight was not on the side of monetary union, had come into prominence. No matter what the caution exercised by any one of the states might be, it was clear that with a depreciated metal displacing a commercially more favored one, it might happen that all foresight would be in vain, and that at any time a treasury might find on its hands a mass of foreign silver "standard" coin, the redemption of which it could not secure, and for whieh it must accept the market price of so much silver bullion. These things were clearly perceived by the cautious financiers of Belgium and Switzerland. In France, too, the popular desire for a gold standard, anterior to the Prussian war, has been discussed at some length. Nevertheless, there, as well as elsewhere, the cheap-money disease had fastened itself upon the body-politic in the time of its weakened condition, and we have seen how it was temptingly proposed to redeem the legal-tender notes in silver instead of in gold. Fortunately, the party of repudiation had not gained much strength, but in Italy the cry for more money had for some time been heard, and henceforward Italy displayed a strong desire to follow the reactionary monetary policy from which it was only saved by its connection with the other countries.

On the whole, however, it was quite generally felt that it was but a measure of the commonest commercial wisdom to take some step which would retain gold in circulation and thus save to the combined nations the many millions of francs which would be lost by permitting individuals to exchange it for silver. It was no longer a theoretic question whose solution, as in 1865, would make little difference (since at the ratio of 15½ to 1 it was at that time a commercial impossibility that gold should leave the circulation). The countries were now brought face to face with the movement of all legislations toward a gold standard, and it could not be doubted that if the downward movement of silver was to be permanent, a "bimetallic" policy would, in a very short time, leave not a gold Napoleon to be seen. The contention of the bimetallists was that the downward movement of silver was a mere temporary fluctuation, and that it would be but a short time before it would resume its former price. Thus, the problem presented to the convention was of a wider character than those which had been settled, as it was supposed, by the treaty of 1865. It involved the whole question at issue in choosing between the two metals for monetary purposes, and the whole problem of the future of silver. The question was squarely put; it was necessary to make some definite answer in order to avoid serious loss.

The Belgian government felt that the clause of the treaty of 1865 which provided for the giving of mutual information on monetary matters had not been carried out with sufficient faithfulness, and that it might be better to replace this clause by one calling for annual reunions of delegates. Further, it was thought that some action should be taken with a view to placing on a uniform basis throughout the states the coin of those countries which, like Austria, had partially conformed to the monetary system of the union. It fully recognized the dangers of the existing silver situation and officially expressed the opinion that the free coinage of silver must by common consent be suspended, or at least limited. Belgium had already coined about 463 millions in five-franc pieces, and of this 111 millions, or nearly one fourth, had

been struck in 1873, prior to the suspension. Belgium certainly did not want any more silver coin, and to prevent her territory from being flooded with foreign coin, it was necessary that all the allies should take measures of a similar character.

Italy's opinions were less clear-cut. She was struggling with a depreciated paper currency, and her metallic circulation was practically at the mercy of speculation. She made no specific demand as to the attitude of the union toward silver, but laid stress on having the coins of the various allied countries placed on a footing of equality in all of them. In Italy itself all the coins of the union had legal-tender quality; in France only the public treasury was bound to receive them, and it was a matter of complaint that the Bank of France had refused to receive large consignments of Italian silver coin. With regard to the silver question, Italy was not averse to temporary limitation of coinage. She had coined but 43 millions of five-franc pieces during 1873.

France believed that the true policy to be followed was the maintenance of the state of things which existed before the late fall in the value of silver. In pursuance of this belief the French government held that the method it had already adopted of setting a maximum limit, and not of suspending the coinage of silver, was the one which would most closely approximate to the old condition of affairs. Something of the sort must be done quickly by common consent.

The Swiss delegates were of opinion that the existing depreciation of silver should be carefully looked into, its causes, if possible, ascertained, and efficient scientific measures adopted independently of prejudice. This was the opinion of the Duc de Broglie, who, in a diplomatic dispatch, a short time before,[1] had said:

> The delegates of the four states should meet, free from every prejudice; their mission should be to exchange ideas, to study the situation in all its aspects, and to seek with a common accord for the means by which to guard against future events from which they may anticipate danger.

[1] *Livre Jaune Français*, 1874, p. 203.

Belgium and Switzerland were thus definitely for the adoption of a gold standard. Italy and France were for nothing more radical than a limitation of the coinage of silver, but among the French delegates several shades of opinion on the subject, including the extreme bimetallic point of view, were presented.

It is clear that, before anything could be decided as to the course which would be most advantageous for the united countries to adopt, the question of what was probably to be the future of silver must receive a provisional settlement. Upon whatever view might be adopted on this point would to a great extent depend the action of the Latin Union with regard to silver. There was much division of opinion on the question of the future of silver. The first argument brought forward to show that the depreciation of silver was no temporary fluctuation was an appeal to the fact that during the past two years the movement of all legislations had been toward the single gold standard.[1] This movement dated from the conference of 1867, where twenty-two states had pronounced unhesitatingly for the gold standard. A superficial glance at the comparative stocks of silver and gold in the principal banks of Europe shows that for some time gold had been the metal sought for to furnish a reserve of coin. The movement of legislation hardly requires comment. Among the countries which within a brief period had definitely passed to the policy of a single gold standard may be mentioned Germany, the United States, Norway, Sweden, Japan, and Holland. As to the general commercial desire for a gold standard, the various commissions and *enquêtes* of whose proceedings some study has been made in the foregoing part of this book, as well as the numerous letters on the subject which had, from time to time, been addressed to the finance ministers by the chambers of commerce, furnish abundant testimony. While it was true that considerable silver had already been placed upon the market, and had had a strong tendency to cause a downward movement, yet it was clear that this was by no means all that was to come. While

[1] *Conférence monétaire internationale entre la Belgique, la France, l'Italie, et la Suisse, Procès-Verbaux*, 1874, pp. 13 *et seq.*, 18 *et seq.*, 23 *et seq.*

the annual production of silver (according to Soetbeer) was then about 375 millions of francs, the excess of retirement of silver over coinage, in Germany alone, would aggregate 2,238 millions. Subtracting 500 millions for new fractional coin and 200 millions for loss by wear, there would still be left 1500 millions which would probably have a serious effect on a market which already had so strong a downward tendency. From the other European states and from Japan, additional amounts would come. At the same time with these sales there coincided with the weakened state of the European market a continuance of the lessening of demand in the East.[1] From 1860–1865 shipments of silver to the East had aggregated 1637 millions of francs. From 1866–1870 this figure had fallen to 540 millions. From 1870–1872, only 317 millions had been shipped. In India, too, the coinage had sunk from 78 millions of rupees as the annual average to from 12 to 17 millions. Nor was this the only serious aspect of the question. While the demand for silver was largely decreased the supply was increasing. The American silver mines had by no means reached their highest degree of productiveness.[2] It was fair to suppose that these mines would yield in the future much larger amounts than in the past, yet already the average annual product of silver had risen from 225 millions of francs—its level in 1850—to about 375 millions, or an increase of more than 66 per cent. of its former amount.

The considerations that were urged in reply to these arguments were rather interesting. It was believed by the advocates of silver that the legal tender notes (*cours forcé*) had robbed silver of a large share of its field for circulation, not only in France and Italy, but also in other European countries[3] where resort had been had to a note issue with a forced currency.[4] The irredeemable paper of France in particular had furnished many millions of people with a medium of exchange, and it was

[1] *Ibid.*, pp. 14 and 18 *et seq.*

[2] *Ibid.*, pp. 15 *et seq.*

[3] Notably Austria and Russia.

[4] *Conférence monétaire internationale entre la Belgique, la France, l'Italie, et la Suisse, Procès-Verbaux*, 1874, pp. 15 and 18 *et seq.*

assumed that the result had been to displace silver and to throw it upon the market. This, however, was hardly likely. Not only had the balance of trade with regard to silver been for some time previous in France's favor, but the immensely increased coinage of silver of the preceding year gave no countenance to such a supposition. It was, moreover, necessary for those countries which were under the legal-tender note régime constantly to liquidate their foreign obligations in metal or titles to it, and in none of these countries had the coinage at any time ceased. It was further urged that the payment of the war indemnity by France had thrown into the hands of Germany an amount of silver which had, when sold, exerted a tendency toward a general glut of the silver market. This rested on two fundamentally incorrect hypotheses. The first was that the sum so placed in the hands of Germany was sufficient to cause a glut, and the second that it had been sold as silver bullion. Neither of these assumptions had any foundation in fact. Only 239 millions of francs in coined silver had been paid by France to Germany. It does not seem likely that this sum even under the most unfavorable circumstances could have had such an effect as was attributed to it in causing depreciation, It had not, however, been thrown upon the market. Considerable sums had been sent to the East to meet the needs of German commerce.[1] Other sums had been returned to France in the course of trade, and had served to swell the tide of silver flowing to her mints. The amount left to be thrown upon the London market was inconsiderable. It was likewise argued by the advocates of silver that the trade with the East was by no means in the condition which had been represented.[2] Although temporarily depressed, this trade would recover its former importance as soon as things had become more settled in Europe. The depreciation of silver coincided, so it was said, with the action of temporary and fluctuating forces. From 1867–1871 the ratio of gold to silver had not altered; it was only after the Franco-Prussian war and the commercial crises that silver

[1] *Ibid.*, p. 16.

[2] *Ibid.*, p. 20, 21 *et seq.*

had lost ground. When once the evil effects of these phenomenal and unlooked-for influences had passed away, silver would return to its "normal" price, the ratio of 15½ to 1. So far from its being true, as the advocates of the single standard had contended, that the need of silver had decreased, the opposite was the case. The multiplication of railway lines[1] was causing an entirely new demand for silver coin, since each traveler was obliged to carry with him a supply of coin, and the railway stations must have some of it constantly on hand and lying idle. It was upon these grounds that the advocates of either policy rested their case. The real problem was the determination upon measures to be pursued. There were four methods of action. The Latin Union could: (1) Demonetize silver completely; or (2) suspend the coinage of silver; or (3) limit the legal-tender quality of silver; or (4) place a legal limit to the amount to be coined within a stated period.

The first method was, of course, the most thorough-going one. In order to put this plan into operation in an honorable way, it would be necessary to reduce the five-franc piece (as had been desired by Belgium in 1865) to the same footing with the subsidiary coins. As silver was now at so great a discount, it would not perhaps be necessary to meddle with its fineness, but merely to prohibit its coinage in the future (beyond a certain determinate sum for each state), and lastly to provide for its redemption. This last necessity placed that mode of procedure almost entirely out of the question. Of the three remaining plans limitation of the legal-tender quality of the five-franc piece came nearest to the policy of actual demonetization. It would entail almost the same disagreeable necessities as the first method. There remained but two methods—the limitation or the prohibition of the coinage of silver five-franc pieces. These methods were evidently the only practical ones. Of the two, the absolute suspension of silver coinage was evidently the only correct mode of procedure. It was clear that, if the depreciation should continue, every piece of silver coined by private

[1] *Ibid.*, p. 21 *et seq.*

individuals would increase the amount to be redeemed by the governments, while a temporary suspension would save the states from further loss. The advocates of silver, however, were determined that the step should be merely the placing of a high limit, with the official statement that this was a purely provisional and temporary measure.

Switzerland and Belgium were favorable to a total prohibition, which was the method the latter country had already adopted. France, on the contrary, was desirous of following to its ultimate consequences the law of 1803. She thought that to fix the limit at a figure which would fairly represent what had been the average annual coinage of silver for each state before the depreciation of silver had set in, would be the closest approximation to the policy of 1803 and 1865. Already, the old monetary policy had carried her through a crisis similar to the present one, and she apparently supposed that it would do the same for her under exactly opposite circumstances. Italy was willing[1] to admit limitation under condition:

1. That the National Bank of Italy, which had been granted the sole right to coin, should be allowed to strike *for its reserve fund* the sum of 60 million francs, in silver five-franc pieces, for which the bullion was already in stock, over and above the quota allowed by the treaty; and

2. That the recoinage of old Italian coin might go on, without reference to the quota allowed, pursuant to Art. 12 of the law of August 24, 1862.[2] It was thus plain that all the countries were ready to consent to a limitation of some sort, but that prohibition was out of the question, the only difficulty with limitation being that of the concessions desired by Italy, and the fixation of a satisfactory quota for the coinages of the different countries.

After much debate, Italy was induced to lower her demand for the reserve fund to a coinage of 30 millions, making an aggregate Italian coinage of 60 millions, or 10 millions more than the quota allowed France. Here it seemed for a long time

[1] *Ibid.* p. 33. [2] *Ibid.* pp. 33, 34.

that the obstinacy of Italy and France would result in bringing the conference to nothing, and the problem was complicated by the announcement on the part of the French government that, as the Bank of France was a private institution, it could not dictate the terms on which this institution should receive the coins of Italy. In order to bring this latter question to the issue M. Feer-Herzog introduced a resolution [1] requesting the Bank of France to conform to the wishes of Italy in regard to reception of her coin, and this was passed. When this resolution was made known to the bank, the directors voted that the bank should accede to the request of the delegates from the four states, assigning as the reason for the restrictions which had been imposed upon the reception of Italian coin their desire to hinder the disastrous speculation which had exerted so injurious an influence upon commerce. At the same time, the Bank of Belgium made the same promise. The difficulty concerning the amount of the quota allowed to each country was overcome by raising once more the limits already assigned. In order to allow Italy the coinage of 60 millions which she desired (coinage quota and bank reserve-fund both included), France was awarded a quota of 60 millions, Belgium and Switzerland were proportionally raised, being awarded quotas of 12 and 8 millions respectively, while Italy was allowed an unrestricted coinage of 40 million francs, with a reserve of 20 millions more for the bank. Thus, if she desired, she might devote to the reserve the amount of 30 millions and yet have an unrestricted coinage of 30 millions remaining.[2] It was further decided that the Austro-Hungarian gold coins of 4 and 8 florins corresponding to the ten and 20-franc pieces which were already admitted into some of the public treasuries of the Union [3] should now be formally admitted into all of them and accorded legal circulation. In order more fully to carry out the clause of the treaty of 1865 which provided for the mutual communication of monetary

[1] *Ibid.* p. 78.

[2] See Treaty of 1874 in Appendix I.

[3] Those of France, Italy, and Switzerland.

information, it was voted to hold annual meetings, in January of each year.

On no point was there a more marked departure from the policy of 1865 than in the clause of the treaty which provided that admission to the union should now no longer be free. One of the main objects of the treaty of 1865 had professedly been to secure the advance of monetary uniformity, and yet the abridgment of the clause relating to this part of the agreement scarcely met with opposition. The change of attitude requires no comment.[1]

The agreement of 1874 was essentially a victory for the silver party, due primarily to the weak condition of Italy and (in a much less degree) to the hesitating and dubious policy of France. Italy, of course, could not be left out, for the other countries were all large holders of her five-franc pieces, now worth in the market considerably less than their face value, and to allow Italy to withdraw might seriously jeopardize the chance of securing the redemption of these coins. Hence compromise was necessary. It was, in fact, just at this point that real dissatisfaction with the union began. Had any one of the countries felt able to withdraw, it is likely it would have done so. Belgium, however, was in no mood to redeem the immense silver coinage she had struck; and with Italy any redemption was, of course, utterly out of the question. Switzerland could not afford, in view of her commercial and economic interests, to withdraw, and, in France, the pressing needs in other directions rendered

[1] A different view is given us in the "Report of the Committee appointed to examine the bill for the Convention of 1874" (published in *Journal des Économistes*, 66, 1874, 2, p. 112). In one place the following statement is made: "It" [the clause of the convention of 1865 which governed admission to the Union] "reserves explicitly to the allied states the right to subject to a preliminary examination and understanding the admission of requests for incorporation into the Union which may be addressed to them." . . . . "It" [the clause of the new treaty referring to the point] "is not a new stipulation; it is a clause interpreting Art. 12 of the treaty of 1865, the terms of which might appear to confer, in too absolute a manner, upon any third Power the right to join the Union." It is evident that the writer of the above was unfamiliar with the debates of the convention of 1865. Our study of those documents has shown us that the idea already expressed is the true one.

any efforts at monetary reorganization a painful task. It is not probable, moreover, that France would have been willing to give up her monetary hegemony over the other states. The result of these peculiarly complicated and varied conditions was to tie the hands of the Latin Union as a whole, and force upon it the compromise measures embodied in the treaty of 1874.

CHAPTER XIV.

THE PERIOD OF RESTRICTION, 1874–1878.

The treaty of 1874 was a compromise. It had adopted no principle, and had brought forward no remedy properly so called. For the present, it furnished a temporary respite from the fears aroused by the depreciation of silver; but, for the future, it laid down no definite line of policy. Limitation was but a temporizing measure. It really satisfied no one. From the point of view of the gold party, it might be regarded as a first step toward the eventual adoption of a single gold standard; from the standpoint of the silver party it afforded relief from disorders undeniably induced by the use of the double standard, and might be regarded as a makeshift adopted to gain time for reflection. For the one, it was a step toward a new policy; for the other, it was a moment of reflection and observation. No principle had been settled. The real question at issue had been merely that of saving or losing what remained of the gold coin. The only benefit derived from the treaty of 1874 was the definite settlement of the terms on which the coin of the four states should circulate within the whole area included in the Latin Union.

It could not be doubted by anyone possessed of political insight that the action of France had been too tardy and too hesitating. It has been shown that one main object with France in organizing the Latin Union had been to secure a monetary hegemony over other states by inducing them to adopt her system, and thus to obtain an influence over them which might be transmuted by imperceptible degrees into a political leadership. If France had understood aright the manifest tendency of monetary events, and had profited sufficiently from a careful scrutiny of European tendencies in this respect, it certainly would seem that commercial and political egotism would have

prompted her to adopt the gold standard, in the pursuit of the policy which she had set out to follow in 1865.

France found herself face to face with Germany on the ground of political interest. From an economic standpoint we cannot hesitate to say that she should have acted sooner and much more decisively. The French monetary system had been technically the best and most popular one in Europe, but if it were to be hopelessly entangled with bimetallism, smaller states which were desirous of unifying themselves monetarily with some greater power would select that one whose policy seemed to them most in accord with the tendencies of the time and least likely to lead to the expensive necessity of immediate change and possible redemption. Thus, it was to be expected that the monetary leadership which had hitherto been in large measure enjoyed by France might now fall to Germany. Already the latter power had made overtures to Switzerland, with which country, on account of its peculiar strategic position in Europe, both France and Germany had always desired to establish all possible commercial and industrial relationships. Had the Latin Union been dissolved in 1874, there can be little doubt that Germany would soon have found means to extend her new monetary system to Switzerland, for the German monetary reform was, beyond question, dictated partly by considerations of a purely political character. Political considerations were also present in the case of Italy, which was now almost without coin in circulation and which would easily have been induced to join Germany upon a dissolution of the Latin Union.

Thus France could not afford, from a political point of view, to consent to a dissolution of the Latin Union. What might have been done would have been to convoke the conference as early as May 1873, and there definitely to adopt the single gold standard, thus shutting the door to the return of the silver five-franc pieces, which could have been collected from the bank reserves and elsewhere, so far as possible, and unloaded upon Germany in payment of the indemnity. By waiting until 1874, opportunity was given for the strengthening of the bimetallic party which actually took

place. Under these circumstances, the result of the conference of 1874 could be nothing but the adoption of some such compromise as was actually accepted.

The measure was just such as to stimulate the strife between the partisans of the gold and bimetallic standards. As early as January 7, 1874, when it became known or suspected how France would conduct herself at the conference, a strong bimetallic feeling was evinced.[1] At the same time, and, in fact, throughout the year, the cry was raised on all sides that any obstacle offered to the free coinage of silver would be likely to aggravate the effects of the indirect tax system. Cessation or any diminution in the mint output of silver would lead to a diminution of the two milliards of indirect taxes now annually received by the French government,[2] especially since a cessation would be likely to coincide with contraction by the Bank of France. Even the fact that railway receipts had fallen off 7 per cent. was quoted as being due to limitation of coinage. In Italy the other financial and economic interests were too pressing to allow of so much discussion of the monetary problem, but in Belgium and Switzerland the controversy was more violent than ever. In Belgium the *Écho du Parlement* and *Indépendance Belge* carried on a long discussion of the monetary problem, in which the more prominent economists, together with the finance minister and the chambers of commerce, took part, the latter organizations being almost uniformly in favor of a single gold standard. Frère-Orban, the former finance minister, published a work in which he summed up the results of the controversy;[3] and in Belgium opinion tended strongly to the side of gold. Meanwhile, the fall of silver in the open market still continued, but this in no way tended to shake the faith of the bimetallists, who continued to attribute the depreciation to purely temporary causes and to affirm that the restriction was a merely precautionary measure.

[1] For text of a letter illustrating this point of view see *Économiste Français*, 1874, vol. i. p. 97.

[2] *Économiste Français*, 1874, vol. i. p. 155.

[3] *La Question monétaire*, Brussels, 1875.

The report of the monetary committee of the French Chambers[1] entered into an elaborate examination of the doings of the conference of 1874 and carefully explained to the chambers the several articles of the treaty, recommending its adoption in the following language:

> To an incident, unusual and accidental, we oppose a measure as temporary and exceptional as the determination which has called it forth, and which, according to the declaration of our commissioners at the conference, "far from infringing upon the bases of our monetary régime or indicating a tendency toward a change of this kind has for object, on the contrary, to maintain this régime intact by not allowing normal conditions to become diseased. . . . ." It is on the ground of this declaration, with which it fully agrees, that your committee unanimously approves and proposes to you to adopt the scheme of the additional treaty of January 31, 1874.

The depreciation of silver the committee attributed to three principal causes:

1. The bad commercial situation in Europe.
2. The existence of the forced circulation of paper, reducing the need for coin.
3. The public distrust aroused by the action of Germany.

One point in the report was especially noteworthy. Much fear had been aroused, by the provision for an annual meeting, that frequent conferences would be likely to result in some change in the bases of the monetary system. This dread the report endeavored to allay by the assurance that the conference to meet at the opening of 1875 would in no sense be a meeting for the discussion of monetary *principles*, but would, like the conference of 1874, confine its deliberations solely to questions of expediency. It had been, also, one of the most striking characteristics of the treaty of 1874 that it had for the most part avoided discussion of the principles involved in the bimetallic controversy.

[1] For text of this document see *Journal des Économistes*, 1874, vol. ii, part 1, p. 108. It is entitled *Rapport fait au Nom de la Commission chargée d'examiner le Projet de Loi portant Approbation de la Convention additionelle à la Convention monétaire du 23 Septembre 1865. Signée à Paris le 31 janvier 1874, entre la France, la Belgique, l'Italie et la Suisse; par M. Teisserenc de Bort, membre de l'Assemblée Nationale.* See also, for legislative history of the bill, *Journal Officiel*, 1874, pp. 3027, 2358, 4487, 4139, 4249, 5705.

The treaty, as recommended on these grounds, was voted and became law.[1] In other countries, too, the treaty, after going through the usual legislative formalities, had duly become a part of the monetary statutes.

The restrictive policy seemed to fulfill the hopes of its most sanguine apologists. Confidence was apparently restored and gold began to flow into France in considerable quantities. In August, it was estimated that the metallic stock of France was almost at the level at which it had stood before the opening of war. The indemnity had been almost balanced by the excess of French exports over imports, and, in Belgium too, the price of exchange constantly favored the importation of gold. As a good indication of what was going on, the holdings of French gold by the Bank of England may be cited. The statement is as follows:

Holdings of French gold, December 1, 1871,	£7,222,895	
Purchases up to May 1872	310,161	
Purchases June to December 1872	429,870	
Purchases January to December 1873	22,244	
Total	£7,985,170	
Sales		£4,670,054
Balance, June 25, 1874[2]		3,315,116

In consequence of this movement, the reserve of the Bank of France was steadily increasing. The highest point the reserve had ever reached had been touched April 7, 1870, when the stock of gold and silver on hand amounted to 1307 million francs. This figure had sunk by December 26, 1871, to 634 millions. At the end of January 1872, it was 630 millions. In November, 1873, it rose to 731 millions, and now it bade fair to reach once more its old high-water mark. In June 1874, it reached the high figure of 1164 millions. The following table explains the movement a little more clearly:

[1] *Journal Officiel*, June 23, 1874.

[2] Compare *Journal des Économistes*, 1874, vol. ii. part 1, p. 291.

	Gold	Silver	Total
	Million francs	Million francs	Million francs
1869 (December 31)	673.8	560.1	1233.9
1870 (" ")	428.7	68.5	497.2
1871 (" ")	553.4	81.2	634.6
1872 (" ")	658.7	132.6	791.3
1873 (" ")	611.3	156.3	767.6
1874 (" ")	1012.1	313.2	1325.3
1875 (" ")	1174.3	505.6	1679.9

Contemporaneously, an important phenomenon was being witnessed in regard to the circulating notes of the bank. In the midst of the French misfortunes, the bank had emitted over 1800 millions of francs in paper with a reserve of less than 600 million francs in coin, yet the notes had remained at par. At the end of November, 1872, the circulation had increased to nearly 2300 millions and the depreciation was only 2.5 per cent. At the end of January following, it exceeded 2450 millions, and yet the depreciation was not over 1 per cent. The circulation rose steadily to more than 3200 millions, but the premium on gold did not increase.[1]

These favorable conditions continued during the remainder of the year. In September, the note circulation was reduced from 2900 to 2400 million francs. Gold began to reappear in a timid way. The small notes were decreased in amount, and despite the heavy internal drain on the bank for gold, the reserve rose from 760 millions in January to over 1300 millions in December. In the early part of December, the bank decided to redeem its 20-franc notes in gold. This step caused general satisfaction. Although protected by the *cours forcé* of its notes, the bank had at last made a step toward resumption. For the most part, however, the bank continued to make coin payments whenever possible in silver five-franc pieces. This was due to the condition of its branches, which were subject to a constant drain of gold. Whatever gold they allowed to leave their vaults was quickly absorbed and hoarded by the country people, who had not thoroughly regained confidence. At the

[1] Compare *Journal des Économistes*, 1874, vol. ii. part 1, p. 288.

same time the circulation of small notes had been diminished in order to afford a field for the silver five-franc piece, but, as yet, the notes were much preferred to silver. This general favorable condition of the bank was important in its influence. We shall soon see how the continuance of the encouraging specie movement had a direct influence on the silver question, by removing the fear of inability to redeem the note-circulation in gold.

With the adoption of the policy of restriction, the theory of coinage in the four countries entered upon a new phase of its evolution. It had been supposed that the monetary principle upon which the law of 1803 was based had implied as its first essential the observance of the right of free coinage for all. The restrictions imposed by the governments of France and Belgium in their limitation of the coinage in 1873, to a certain fixed daily contingent, had, it was plausibly reasoned, introduced no principle which would contravene this precept of the law of 1803. Government had simply found it expedient to cease coinage for a short period until it could see what the other countries would decide to do.

The decision of the Latin Union to limit, for 1874, the coinage of silver five-franc pieces to a definite annual sum, unconsciously exposed the weakness of this fallacy. The governments of the four countries found themselves confronted with the question whether to allow the shrewdest, and most adroit, speculator to absorb all the advantage arising from the difference between the mint and the market values of the sums allowed each state; or whether, since the public at large was not to be admitted to a share in the speculative coinage, to purchase the total amount of silver for the year's coinage, deposit it at the mint for account of the national treasuries, and apply the profit to the budget expenses. In Belgium, the minister of finance, M. Malou, did not hesitate as to the course to be adopted. We have seen that the Belgian delegates at the conference of 1874 had named 5,840,467 francs as the balance of the *bons de monnaie* which must be carried forward to the year 1874–5. This sum must, of course, be delivered to private individuals, who had received and

were holding the mint vouchers for their bullion deposits. It had been included in the sum of 12 millions, which had been allowed Belgium as her quota for the year 1874. The possible new coinage would therefore amount to about 6,159,533 francs. The decree of 1873 had, as we have seen, given to the government the power to suspend or regulate the coinage of silver. The treaties of the Latin Union empowered each country to "coin or allow to be coined" certain sums. M. Malou believed it wise to allow the coinage of the quota for 1874. Acting upon these two grants of power, he considered himself authorized to conduct the coinage in any way he might see fit.[1] He therefore privately purchased the requisite amount of silver bullion and deposited it at the mint for account of the treasury,[2] thus realizing for the government the sum of 81,911 francs. His action soon became known and subjected him to the most violent attack. Even Frère-Orban, an extreme advocate of the gold standard, accused him of having transcended his power and of having resorted to his old and hated governmental privilege of issuing, for profit, a debased coinage which never, since the time of Philippe le Bel, had been resorted to. It was truly said that a precedent had been established; and, should it ever be demanded that the government redeem the silver five-franc piece, the request must of necessity be granted, since the issuance of a depreciated coinage would place the government, as judged by all right monetary principles, under the obligation to redeem.

In France, the government carefully abstained from any such action. Silver continued to be received at the mint, and mint vouchers to be delivered to private individuals for their deposits. The quota of 60 millions allowed France was soon exhausted, and although the coinage of silver was indirectly discouraged, and a decree of May 28 limited the coinage to the sum of 100,000 francs per day,[3] the issue of *bons de monnaie* for the coming

[1] *H. C. Report, 1876*, p. 109.

[2] See O. HAUPT, *Histoire monétaire de notre Temps*, pp. 145–146; and *H. C. Report, 1876*, pp. 108–110.

[3] *Annales de l'École libre des Sciences politiques*, October 15, 1886, pp. 519 *et seq.*

year had amounted by January 1875 (when the new conference assembled), to about 17 millions of francs.[1] None of this, however, was for the national treasury; and of the profit from the coinage of the 60 millions not a franc was realized by the nation.

Italy, however, followed the same policy as Belgium. Immediately after the conference of 1874 a decree (apparently kept secret at the time) deprived individuals of the right of free coinage, which was reserved to the state and to the *Banque Nationale* as "*concessionaire*" of coinage rights. In the course of the year the whole quota was struck, 20 millions remaining, according to agreement, in the bank vaults. It was not until July 17, 1875, that a public law abrogated the right of free coinage of silver.[2]

Switzerland had always pursued the policy of jealously reserving all coinage rights to the government; though, as we have seen, she had in reality no native gold coin and a comparatively small stock of native silver. She did not abandon her old policy, although, in contrast to her previous action, she resolved to incur the responsibility of striking some silver coin. Her quota for the year 1874 amounted, it will be remembered, to eight millions of francs. The federal government accordingly purchased the requisite amount of silver and had it coined, at the Brussels mint, into 1,595,650 five-franc pieces, making a total of 7,978,-250 francs, and practically exhausting the quota for the year. The reasons for this unusual action on the part of Switzerland seem obscure. It is probable, however, that the new coinage was due to a lack of circulating medium brought about by the speculations on the metallic stock of Switzerland in 1873. Thus, with the adoption of the restrictive policy, the coinage of the silver five-franc piece passed in every country, except France, into the hands of the government. It was not to be long before France was to pursue the same policy.

[1] *Conférence monétaire internationale entre la Belgique, la France, la Grèce, l'Italie, et la Suisse. Procès-Verbaux*, 1875, p. 88.

[2] O. Haupt, *Histoire monétaire de notre Temps*, p. 268. For text of this law see "official text" of the law as published at the time in *Documents monétaires italiens.*

The restriction of the coinage of silver gave a new impetus to the coinage of gold, and, owing to the favorable balance of trade, an abundant supply of that metal flowed readily to the mints of the Latin Union. In Belgium, a large coinage was minted for 1874, the total output for the year amounting to nearly 61 million francs. An analysis of the mint receipts shows us that gold was flowing in from all quarters, and the deposits included Russian imperials, reichsmarks, Japanese gold yens, American eagles, and a considerable amount of raw gold from California.[1]

Italy coined, during the year, about six million francs in gold or approximately one-seventh of her total gold coinage from 1866 to 1873, while at the same time she withdrew and recoined about 806,374 francs in gold of the old money of Sicily, Lombardy, Venetia, Tuscany, and the other Italian states. At the same time, she withdrew, and recoined about 22 millions of the old silver coin of these same states.

The gold coinage of France was not so abundant as the Belgian, but amounted to an aggregate of 24.3 millions, wholly in 20-franc pieces. These were used for redeeming the 20-franc notes of the bank. The deposits, like those at the Brussels mint, were of a heterogeneous character, and consisted chiefly of ingots, dollars, sovereigns, and Japanese gold yens.[2] In Switzerland, as usual, no gold coinage took place.

About the close of the year 1874, the demands of the national bank of Belgium that it be allowed to have coined some of its holding of silver in order to replenish its reserve, became pressing. The Belgian minister was anxious that the delegates should at once be convoked, in order that Belgium might be accorded a quota for the year 1875, a part of which could be assigned for the use of the national bank, but upon learning that it was the intention of France to fix January 25, as the date of meeting, he yielded to the pressure brought to bear upon him, and allowed

[1] *Conférence monétaire internationale entre la Belgique, la France, la Grèce, l'Italie, et la Suisse. Procès-Verbaux*, 1875, p. 20.

[2] *Ibid.*, p. 52.

the deposit on account of the national bank and the delivery of mint vouchers therefor to an amount equal to nearly 12 million francs, or the whole quota for the year 1874. This was a tacit assumption and anticipation of the policy to be adopted by the conference of 1875. France, and Italy too, allowed the delivery of mint vouchers to the amounts of 17.5 and 6 millions respectively, as was reported during the meeting of February 5, 1875.[1] This made an aggregate anticipatory issue amounting to some 35 millions of francs, and practically determined that the policy of 1875 would be a mere continuation of that pursued in 1874.

We have seen how the flow of gold into France had deprived the bimetallists of one of their main arguments by enabling the bank to begin redeeming its notes in gold. This very fact, however, now emboldened the bimetallic party to make every effort toward raising, or at least maintaining at the same point, the limit for the coming year. When the delegates of the several countries met at the close of January 1875, the instructions of the French and Belgian governments to their representatives resulted in substantially the same demands on the part of both countries. M. Dutilleul on the part of France, and M. Jacobs on the part of Belgium, expressed the belief that since the monetary circumstances of the allied countries were practically the same at the last meeting, it would perhaps be well to renew for the coming year the provisions of the treaty of 1874.[2] Recurring to her peculiar economic situation, Italy explained through her representative, M. Magliani, that since, by her new banking law, the banks were obliged to hold a reserve fund, and since, owing to the scarcity of coin, it would be unjust to deprive them of the privilege of securing their reserve by means of new coinage, while, on the other hand, it was necessary for monetary unification that she be allowed to recoin her old non-decimal moneys, the maintenance of a quota, equivalent to that assigned her in 1874, would be an absolute necessity. In addition, she demanded the privilege of putting into circulation the sum of 20 million

[1] *Ibid.*, 1875, p. 68. [2] *Ibid.*, 1875, pp. 5–8.

lire which, it will be remembered, had, by the treaty of 1874, been allowed as an extaordinary coinage quota for the purpose of constituting a reserve. Freed from all explanatory modifications, this simply amounted to a demand for a new quota of 40 millions, accompanied by permission to place in circulation the sum of 20 millions more.[1] In addition, Italy proposed that it be understood that for succeeding years the quotas for each country should regularly be diminished by a definite amount. The Swiss Federal Council reaffirmed the principles of the single gold standard as formulated in their diplomatic communications of November 6, 1873, adressed to the French government, but recognizing the probable necessity of yielding to what would be regarded as the necessities of the other governments, it *recommended*, as a first step toward sounder measures, the curtailment of the quotas allowed in 1874.[2] It absolutely refused, however, to make agreements for any period exceeding a year, observing that "in view of the uncertainty which obtains at the present day upon various points of the monetary question, it is important not to bind ourselves for a long period."[3] Thus, for practical purposes the desires of the various states displayed little diversity, and it seemed probable that an agreement would be reached without difficulty. This, however, was not to be the case.

We have previously noted how the desire of Italy to secure a coin circulation for herself had driven her into hostility to the gold policy which, she supposed, would be prejudicial to her securing a metallic circulation and eventually redeeming her notes. She was, therefore, desirous of keeping her quota as large as possible, while at the same time not anxious to secede from the Latin Union. The ready way in which the other countries yielded to her demands for a large allowance of silver coin led her to make an attempt to secure even greater concessions. She now came forward with a demand for an increase of 20 millions in her quota, but finally reduced the additional amount required to the sum of ten millions, or an aggregate sum of 50 millions for 1875. France and Belgium were unwilling to

[1] *Ibid.* [2] *Ibid.*, p. 7. [3] *Ibid.*

yield even so far as this, since it was perfectly clear that with free reception of Italian coin by the banks, the new output of Italian coin would, like its predecessors, flow at once into their territory. As a precautionary measure, it was therefore proposed[1] that Italy should withdraw of its legal-tender notes a sum equivalent to the old money which it was desired to recoin. To allow so large a quota to Italy would be likely to disturb normal monetary conditions in France, when the coin should flow thither. To grant the request to withdraw the notes was declared impossible. The Italian representatives were urged to request the postponement of the recoinage of the ten millions until 1876, but, upon communication with their government, this demand was, like the former, refused.[2]

It was therefore suggested that the quotas be all enlarged by similar amounts, which would be equivalent to a 25 per cent. increase. On the other side, it was proposed that the desired increase for 1875 should, by agreement, be counterbalanced by an equivalent decrease in 1876, but this scheme, implying as it did a two years' agreement, found little favor. No mode of escape seemed to remain except the adoption of the increased coinage contingents, and at last these were accordingly voted, although they were, in opposition to the bimetallic wing of the conference, accompanied by a resolution which declared that this augmentation was due solely to the peculiar needs of Italy.[3]

It was also decided that the treaty agreement should last but one year, and that the mint vouchers to be issued in advance for 1876 should not exceed in amount one-half the quotas for 1875. This was a decided victory for the partisans of the single gold standard. It rendered possible a reduction in the coinage for the ensuing year, and was thus a definite step toward a sounder policy.

Little was said during the discussions with regard to fundamental principles. Indeed, as we have seen, this had been expressly guarded against; but the time-worn arguments on the

[1] *Ibid.*, 1875, p. 49. [2] *Ibid.*, p. 57. [3] *Ibid.*, 1875, pp. 63, 64.

depreciation of silver were once more exploited. The old controversy was resumed, and on the one side the attempt was made to show that the depreciation of silver was due to causes of a permanent and universal nature; such as the increase in production, the diminished export to the East, the use of India Council bills, and, above all, the general desire for a more convenient currency. On the other side, it was stated that the resumption of specie payments, when the legal-tender notes in the various European countries should be redeemed, would furnish an outlet for nearly eight milliards of silver,[1] and that, when the German silver sales should have ceased, the last bar to a return to "normal" conditions would have been removed. The first of these arguments was entirely baseless. There was no immediate probability of resumption in many of the European states, and even if there had been such a prospect, it was by no means certain that the resumption would be made in silver, or that none of the notes would be maintained in circulation. The latter of the two arguments has now for a long time, it is hardly necessary to say, been an exploded fallacy. Moreover, it is noteworthy that the forced circulation had, in most of the countries mentioned, existed for a long time anterior to the depreciation of silver. These arguments, however, were by no means endorsed by the general body of representatives, and they seem in no way to have influenced the deliberations.

Little else was done by the conference save to renew the agreement with the banks of France and Belgium[2] whereby the five-franc pieces of whatever origin were to be admitted for deposit without distinction, and with the fixation of the quotas

[1] Divided as follows:

	Francs
Russian paper circulation	4,082,720,000
German " "	1,528,365,270
Austrian " "	581,000,000
Italian " "	1,515,540,590
Total	7,707,625,860

—*Ibid.*, 1875, pp. 45, 46.

[2] *Ibid.*, 1875, *Séance du 28 janvier 1875*, Annexe D; and *Séance du 5 Fevrier 1875*, Annexe B, for letters of the banks.

the work of the meeting was practically over.[1] The convention had been disappointing. Not only had it taken no definite steps toward a better policy, but it had raised the coinage quotas.

The year 1875 was characterized by considerable progress in foreign monetary measures. The German and Scandinavian reforms approached consummation. In Holland, the second chamber on May 2, and the first chamber on June 4, passed the law providing for the introduction of the gold standard. In Austria, men were seriously considering the question of securing a gold circulation. Spain alone offered an unrestricted field for silver.

In the meantime the favorable movement of gold into the Latin Union continued. Germany had all along been trying to unload her surplus silver upon France. This attempt was now apparently abandoned. The shipment of German silver coin to France had been 1.8 million hectograms in 1872, 2.6 millions in 1873, and 9.7 millions, in 1874. For the first half of 1875, it was insignificant. On February 6 heavy shipments of gold from London to Paris were announced.[2] During the preceding year,

[1] We have said nothing in regard to the part played by Greece at the conference of 1875. An earlier chapter has given an account of the admission of Greece to the Union soon after the formation of the league. Greece had not, hitherto, been in a condition to join in adhering to the treaty of 1865. She now believed herself to be ready to become an active member of the Union, and accordingly commissioned a delegate to the conference. Up to the beginning of 1874 the régime of the Latin Union had been extended only to the Greek subsidiary coin (of which an issue of nine millions had been authorized), and, as this was not involved in the declaration of 1874, Greece had not been asked to join in its deliberations. Greece now professed a desire to issue the silver five-franc piece through the French mint, and made the demand (*ibid.*, 1875, p. 69) that she be allowed a quota computed on the basis of the coin existing in the other states and estimated according to population. This would mean a quota of about 75 millions.

The allied countries, realizing that this would be a dangerous reactionary step, and probably seeing an opportunity to get rid of some of their own surplus silver, advised the Greek government to import from abroad whatever coin it might need in excess of five millions, which they set as the Greek coinage quota. (*Ibid.*, 1875, pp. 71 ff.) Greece, accordingly, did not become a sharer in the new monetary agreement of 1875.

[2] *London Economist*, February 6, 1875, p. 145.

the Bank of France had increased its stock of bullion and coin by about 521 million francs and decreased its advances to the public by about 440 million francs. Owing to the *cours forcé* the gold paid into the Bank of France could not be drawn out again without its consent. The result was to make commodities and securities cheap at Paris. Consequently, there was a steady bounty on all operations tending to send gold to Paris and corresponding discouragement to contrary operations. This fact alone is an excellent indication of the general trend of public opinion. The action of the Bank of France in beginning to redeem its 20-franc notes in gold was regarded as good evidence of the bank's intentions, and the restriction of the coinage was again coming to be regarded as a transitional step toward a gold standard ; for it now began to be seen that the depreciation of silver was not temporary, as had been supposed.

In Belgium, Mr. Malou continued, notwithstanding the attacks made upon him, to pursue the policy of retaining the coinage under government control. We have noted that, in response to the demands of the bank, the administration had allowed this institution to deposit for coinage an amount nearly equal to 12 million francs. This would leave a net free quota of only three millions. A part of the bank's deposit of silver, however, seems to have been made by the bank as agent for the government, for during the year 9,612,873 francs were struck in five-franc pieces for government use[1] and only 5,291,831 for the exclusive use of the bank—in all an aggregate of 14,904,704 francs[2] out of a possible 15 millions. The government realized on its share the sum of 265,922.18 francs, and this, as in the previous year, was carried to the account of the budget of ways and means, under the head of "accidental receipts" of the treasury.

In France, the same suicidal policy as during the previous year was at first sustained. The coinage was left to the speculators during the first half of the year, but much dissatisfaction was

[1] *H. C. Report, 1876*, p. 14, and HAUPT, *Histoire monétaire de notre Temps*, p. 145.

[2] *Conférence monétaire internationale entre la Belgique, la France, la Grèce, l'Italie, et la Suisse. Procès-Verbaux*, 1875, Annexe B, p. 18.

beginning to be manifested in the chambers. The other countries were seen to be reaping a rich harvest from their issues of coin, but France still allowed private individuals to take to themselves the whole profit. Two parties existed, one demanding that the administration assume the whole charge of the coinage of silver five-franc pieces, the other that this coinage be altogether suspended. For the moment, the temporizing policy prevailed, and on June 25 the treasury began to deposit silver at the mint for coinage.[1] During the year, the full quota, 75 millions, was struck, and of this 40,946,950 francs were for account of the treasury. The profit was 2,424,959 francs, or approximately 6 per cent.

In Italy, likewise, the full quotà was struck during 1875. Individuals had for some time been practically debarred from the power to secure the free coinage of their silver, and this privilege was now at last definitely abrogated by the law of July 17, 1875, which prohibited the coinage of silver for account of individuals.[2] By this measure, Italy affirmed, once for all, her intention to adhere to the policy of governmental control of the coinage of silver.

During 1875, Switzerland struck no silver five-franc pieces, but provided herself with a considerable supply of coin of the denominations of one and two francs, although some of these were issued to replace old coin withdrawn according to the agreement of 1865.[3]

As in the preceding year, the restriction on the coinage of silver proved a great stimulus to the coinage of gold, and in Belgium the gold coinage rose to the enormous sum of 82,685,060 francs during 1875.[4] In France the output was 234,912,000 francs,[5] and in both Belgium and France the heterogeneous character of the mint deposits[6] showed how gold was pouring in from all sides. In Italy, the coinage was small, amounting only to 2,244,440 francs. The reasons are unnecessary to mention. The

[1] Haupt, *Histoire monétaire de notre Temps*, p. 192.

[2] *Ibid.*, p. 266.

[3] *Conférence monétaire*, 1876, p. 24.

[4] *Ibid.*, 1876, p. 20.

[5] *Ibid.*, p. 39.

[6] *Ibid.*, pp. 20 and 39.

issue of *bons de monnaie* had been everywhere restrained. None had been issued by Belgium and Switzerland,[1] while Italy had by no means approached the amount allowed her,[2] nor had France made use of her full power in this respect, her total issue amounting to 29,569,922.30 francs for the coming year.[3]

The conference of 1874 had been a disappointment; that of 1875 had been almost colorless. Little of a striking character had occurred in 1875. Nevertheless, it was more and more appreciated that it was unwise to allow the monetary system of the Latin Union any longer to rest upon so precarious a basis as that afforded by the annual agreements. A strong party was now demanding total suspension of the coinage of the silver five-franc piece, and it was clear that the meeting of 1876 would adopt some step looking to a firmer and more progressive policy. The groundlessness of the fears concerning the impossibility of resumption in gold had been shown by events. Nor did there seem to be any occasion to expect the threatened rise in the value of gold and general fall in gold prices.[4] The improved commercial situation convinced many that the silver policy must not again be recurred to.

The new meeting of the four powers had been set for January 20, and the endeavor was now made to bring some influence to bear upon the conference from the side of the business interests. As early as December 18, 1875, M. Clapier had brought forward in parliament a bill whereby the coinage of silver five-franc pieces was to be limited in France to the sum of 50 millions for 1876,[5] and, on January 10, the Paris chamber of commerce addressed to the minister of commerce and agriculture a long communication urging the adoption of the gold standard.[6]

The meeting of 1876 was apparently no more than a repetition and continuation of the two preceding ones. The silver

[1] *Ibid.*, p. 8.

[2] *Ibid.*, p. 8.

[3] *Ibid.*, p. 39.

[4] *Économiste Français*, July 10, 1875, p. 49.

[5] *Économiste Français*, December 18, 1875, p. 770.

[6] For text, see *Conférence monétaire internationale entre la Belgique, la France, la Grèce, l'Italie, et la Suisse. Procès-Verbaux*, 1876, Annexe A, p. 55.

controversy occupied but a very minor place in the deliberations. Switzerland was still resolute in her demand for a gold standard. She strongly urged the recognition of scientific monetary principles as embodied in the program of the gold party. If this were impossible, the federal council insisted that the quotas for the coming year should be cut down[1]—preferably by one half. At the same time, Belgium declared her wish that the quotas should once more be reduced to the figure allowed in 1874. The ideas of Italy were in accord with those of Belgium, and France herself simply expressed the wish to "continue, purely and simply, the restrictive clauses of the treaty of 1874."[2] The demands of Greece were more extensive. We have already seen how it was that she did not become a party to the treaty of 1875, by which she had been allowed a quota amounting only to 5 million francs. This amount, so it was now said, was not adequate to the first needs of her circulation. Had Greece been in a situation analogous to that of the countries of the Latin Union, her quota would have been sufficient, but her paper circulation, which she now desired to supersede by coin, and other important obstacles, stood in the way. The law which had rendered obligatory the payment of debts in coin of the union after January 1, 1876, was necessarily abrogated,[3] for the 5 million francs struck and placed in circulation, in accord with the treaty of 1875, had proved entirely inadequate and to enforce the law would have brought on a crisis with alarming suddenness.

The total bank reserve of Greece was estimated at approximately 22 millions. The existing amount of coin was said to be ten francs per capita. This, with a presumable population of 1.5 millions, would approximate 15 millions. It was hardly likely that the total stock in existence could be less than 50 millions, but of this a large percentage was made up of Russian, German, and other coin. To replace these, an allowance of 25 millions was demanded. To secure them by importation from the other countries of the Latin Union was regarded by Greece as placing

[1] *Ibid.*, 1876, pp. 8, 9. [2] *Ibid.*, p. 12. [3] *Ibid.*, p. 31.

her upon a different basis from the other allies.[1] Even this figure, although apparently so high, was a considerable diminution of the demand for 75 millions made by Greece in the preceding year, and it was urged that the figure of 25 millions rested, like the preceding one, on altogether too vague an estimate. It was relatively much higher than that accorded to Italy for an analogous purpose, though it should be remembered that Italy possessed a stock of coin which at the outset was quite considerable in amount. It was suggested[2] that the figure of ten millions would be much more reasonable. As to the suggestion that coin should be imported, it was worth while to note that the balance of trade was constantly against Greece. Coin, therefore, if imported at all, must be imported at a premium. The incident of this debate was seized upon by the bimetallic members of the conference, and they largely advocated the demands of Greece, but to no avail. After much dispute, the figure of 12 millions was settled upon. This concession was not gained without equal concessions upon the other side. The Swiss government demanded that, in case the quota of 12 millions be allowed Greece, the total quota for the whole of the Latin Union should be reduced by at least one sixth.[3] Computed upon a basis of 120 millions this would leave a round hundred millions for the coming year. This decrease likewise aroused opposition — notably on the part of France. As a compromise, it was finally proposed that the figure of 120 millions be retained, and that the 12 millions for Greece be deducted from the total, thus making a reduction of one tenth in the coinage quotas of the other four countries as compared with those allowed in 1874. This compromise was finally accepted, after much hesitation on the part of Switzerland.[4]

While the result of the conference of 1876 was, from one point of view, a victory for the principle of stability, it was a disappointment for the extremer partisans of a gold standard. This was manifested most notably in the case of Switzerland.

[1] *Ibid.*, 1876, p. 32. [2] *Ibid.*, p. 32. [3] *Ibid.*, 1876, p. 64.

[4] For letter of federal council on this subject, see *ibid.*, 1876, p. 76.

. . . The report of the Swiss delegates[1] gave a long and careful account of the proceedings of the conference, and of the silver situation in each of the principal countries of the world.

The attitude of France at the conference of 1876 was, however, not meaningless. The gold party had been gaining ground at a rapid rate, for the force of circumstances was wholly on its side. The limitation of the coinage of silver had practically been a decision against the double standard. The choice really lay between a single standard of gold and a single standard of silver. There could now be no doubt as to the decision. The reason for the choice is familiar. As M. Bonnet said,[2] "It is for the same reason which led people to abandon the stage coach when the railway was introduced."

The Latin Union, at the opening of 1876, was the only group which still resisted monetary tendencies toward the gold standard, and it was felt that the longer the transition to the gold standard was put off, the costlier it would be. Moreover, it would be hard to resume specie payments until the question was settled. If the notes should be redeemed in silver, gold would disappear and the country would be on a silver basis. To carry on the exchanges in a metal depreciated 10 per cent. would render the situation, with reference to the great commercial nations, almost unbearable. This was clearly understood by bankers and business men and the only reason why the bank notes did not depreciate was that all had confidence that such a policy would be followed as would permit the use of the 1200 or 1300 millions of gold in the bank for their redemption.[3] To use this gold reserve for redemption it was necessary that the coinage of silver should once for all be suspended.

If this suspension should once be effected, everything would run smoothly. Gold was still flowing freely into France. Little

[1] For text of this report, consult *Économiste Français*, 1876, 2, pp. 348-351 and 379-383.

[2] *Économiste Français*, February 12, 1876, p. 204.

[3] At this time in all loans negotiated by corporations it was stipulated that the interest should be paid exclusively in gold. See *Économiste Français*, February 19, 1876, p. 235.

had been exported during the past two years, and the bank now held about 1230 millions of gold as against 500 millions of silver. Throughout France, it was held that the resolutions of the Conference of 1876 were incomplete and inefficacious. The quota allowed France for 1876, it will be remembered, was 54 millions. She had also the right to issue in mint vouchers 27 millions for 1877. This made an aggregate of 81 millions. On March 11, 1876, it was announced that already the deposits of silver, made at the mint by bankers, amounted to more than 75 millions. Complaints were made because now there was no longer a profit to be made by depositing silver at the mint[1]. The silver question came up at last in the Chamber of Representatives. March 25, 1876, it was announced[2] that a bill granting to the government power to limit or suspend the coinage of silver was under discussion[3]. The *exposé des motifs*[4] which accompanied the bill very briefly surveyed the history of the Latin Union and defined its general nature. The bill was hotly debated, and the result was a complete victory for the partisans of the gold standard[5]. M. Parieu explained the dangerous situation in which France found herself placed by the possibility of an influx of silver and clearly reviewed the last seventy-five years of France's monetary history. Many members supported his views.[6] It was the first time for years that the question had formally been brought

[1] *Économiste Français*, February 1876, p. 173. One estimate was as follows:

	Fr. per Kg.
Cost of silver at London, 54⅞d.+⅛ per cent. brokerage, exchange being 25.13	199.95
Transportation and insurance at 3.25 per cent.	.65
Total cost per kilogram delivered	200.60
Mint price -	220.56
Loss of interest, 655 days at 5 per cent.	20
	200.56

So that the operation only ensured a loan for 22 months at 5 per cent., and that in a non-negotiable form.

[2] *Économiste Français*, 1876, March 25, p. 395.

[3] *Journal Officiel*, 1876, p. 1988.

[4] See *H. C. Report, 1876*, Appendix, p. 92; also *Journal Officiel*, p. 2726.

[5] *Journal Officiel*, pp. 4147-4149.

[6] Cf. *Économiste Français*, March 25, 1876, p. 395; and *Journal Officiel*, p. 5857.

before the chamber, and the discussion developed a great deal of unexpected strength in the gold party. The discussion on some points was not very thorough. To an opponent who stated strongly the stock arguments in favor of a gold standard M. Rouland, the governor of the Bank of France, replied with "hypotheses and a few figures."[1]

In the course of the debate, it was stated that Switzerland was eager for the gold standard *and was certain to leave the Union as soon as she could.* Similarly, it was said that if the last elections in Belgium had gone in favor of the liberals and had put M. Frère-Orban at the head of affairs, there was no doubt that the gold standard would have been introduced in Belgium.

To accompany the act just described, and relieve the fear that mint vouchers might be issued in place of silver coin, M. Parieu introduced in the *Sénat* a few days later a bill reading as follows: "Single article — After the promulgation of the present law, and until it shall be otherwise ordered, there shall no longer be delivered vouchers for the coinage of silver money .9 fine."[2] This bill was preceded by a lengthy document in the form of an *exposé des motifs*[3] which reviewed briefly the history of silver as well as that of the Latin Union.[4] The bill did not prove acceptable.[5] The *projet* of M. Say, however, after going through the usual formalities, became a law on August 5, 1876, and by a decree of August 6, in conformity with the powers allowed by the law, the coinage of silver five-franc pieces was suspended at the French mint and the reception of further bullion for deposit was forbidden.[6]

An active demand for exchange on France followed closely upon the inception of this legislation. In some places, the price

[1] *Ibid.*, June 17, 1876, p. 775; also *ibid.*, 1876, p. 6386.

[2] *H. C. Report, 1876*, Appendix, p. 97; also *Journal Officiel, 1876*, p. 2251.

[3] *Ibid.*, p. 2758; also *H. C. Report*, pp. 94–97.

[4] *Ibid., 1876, loc. cit.; Journal Officiel, loc. cit.*

[5] It was unfavorably reported upon by M. Rouland, and this had great weight with the Chambers. See *ibid.*, p. 4214.

[6] For original law and decree, see *Bulletin des Lois, 1876, Partie Principale*, 309–331, pp. 30, 31.

was so high that it was cheaper for a debtor to ship coin.[1] The bank reserve increased to the amount of 1927 million francs. Germany, in especial, was a heavy shipper of coin. Paper on France was quoted at 81.40 marks for 100 francs and for short term paper 81.35. Thus the German debtor found it cheaper to liquidate in gold.[2] Germany, of course, did not regard this movement with favor. She had secured the gold for her monetary reform at considerable expense and now to see it flowing back into France was distasteful. The new marks were hardly coined when they were shipped to France, and it was once again demonstrated that the economic situation of Germany made the success of the new measures difficult. Gold flowed into France from London as well, but the Bank of England soon put a stop to this operation by raising its rate of discount. Considerable amounts of Turkish livres were also shipped during this period from Constantinople. In Russia, the rise of exchange on Paris was great. June 24, 1875, 100 rubles had been given for 352 francs at St. Petersburg; but 100 rubles were now worth only 329 francs. Great quantities of Russian imperials were sent to France in the early part of 1876, sometimes by way of Berlin, sometimes directly. In Austria, too, the rise of paper on Paris was considerable. August 24, 1875, 44.20 florins were paid for 100 francs at three months from date. This figure soon rose to 44.75 and finally

[1] *Économiste Français*, April 29, 1876, p. 557.

[2] The reason was this: 500 grams of gold make 69.75 pieces of 20 marks. 1000 20-mark pieces, .9 fine, would weigh 7.096495 kilograms. Although these coins were .9 fine, the Bank of France would only accept them at the fineness of .8995 or 3091.58 francs per kilogram. 1000 20-mark pieces, *i. e.*, 20,000 marks, weighing 7.9695 kilograms would then yield 7.9605 × 3092.58 francs = 24,610.52 francs.

	Marks	Marks
24,610.52 francs = 20,000 marks, or 100 francs =	81.26	
Add expense of transportation, Berlin to Paris	.08	
Then cost of 100 francs in gold =		81.34
While a remittance in paper on Paris at 8 days from date cost at Berlin	81.35	
Price of draft at sight, discount 8 days, at 4 per cent.	.07	
Cost of 100 francs in paper or .08 more than in gold.		81.42

reached 45.65. Within the Latin Union itself, gold flowed likewise toward Paris. Considerable quantities were shipped from Belgium, and silver five-franc pieces were also sent to Paris in large amounts. In Italy, the same tendency was manifest, although the fluctuations were comparatively insignificant and subordinated to the price of the Italian *rente.* In general, the increase in the coin reserve of the Bank of France was due to shipments from abroad necessitated by the high price of exchange, but it was also unquestionably true that the new policy with regard to silver led to increased confidence, and consequently increased deposits of gold in the bank.

In an earlier part of our study, we have now noted how Belgium had originally taken the lead in the restrictive policy by the law of December 18, 1873, which had first inaugurated governmental coinage control in the countries of the Latin Union. This law, which was originally to expire July 1, 1875, had been previously renewed without debate on April 27, 1875, for the remainder of the current year but had now expired.[1] M. Malou desired to have it renewed, and to this end he presented to the *Chambre des Représentants*, on April 25, 1876, a law continuing the statute which gave the power into the hands of government. The *exposé des motifs* was again long and full.[2] It reviewed the history of the Latin Union since the inauguration of coinage restriction in 1874. M. Malou's views on the silver situation were of interest.[3] He pointed to the fact that there existed no "plethora" of silver. In this, he apparently took no account of the heavy stock of silver still carried by the Bank of France. He predicted that no essential change in the union would occur before 1880, the time when the original treaty would expire. The bill was accordingly passed and became a law.[4]

[1] *Documents Parlementaires ; Chambre des Représentants*, Session 1874–5, Nos. 81 and 82, *Sénat*, same Session, No. 64.

[2] See *H. C. Report, 1876*, Appendix, 108, for text ; also *Moniteur Belge*, April 26, 1876.

[3] *Ibid.*

[4] In the meantime, the public controversy going on in the press contemporaneously with the legislative debates, did not slacken. An interesting polemic was sustained in

Nevertheless, it was clear that silver was becoming more distrusted, and the fall of the silver rupee in India was merely a sign of the times. It had been quoted at 25.5 d. in 1869, but now it had fallen to 1 s. and 9 d.—a fall of about 18 per cent.[1] It was feared that all transactions in India would be suspended. The same process had been gone through in France. Before 1850, when only silver was to be had, exchange in Paris on London had varied 3 per cent. After 1850, when gold was remitted, it varied only about 1 per cent. In Holland, too, the transition to the gold standard had been marked by the same reduction in fluctuations. Prior to that time, the Dutch bank had with difficulty overridden many periods of severe stringency, and it was notorious that at many times the bank was laboring under the greatest difficulties.[2] Up to July 1876, gold

La Siècle between Cernuschi and Victor Bonnet. The *Societé de l'Économie Politique* discussed the monetary problem at great length in all its bearings (see *Économiste Français*, *1876*, p. 329, and *Journal des Économistes*, April 1876, for proceedings; also *Annales du Société de l'Économie Politique*, *1876*, 2), and Cernuschi issued a pampblet in which he advocated a bimetallic union between the United States, France, Germany, and England as the means of "monetary pacification," although he indicated no method for securing the establishment of sucb a union. The debate was continued in such publications as the *Revue des Deux Mondes*, *l'Officiel*, and others.

[1] *Économiste Français*, 1876, p. 294.

[2] Compare *Économiste Français*, February 19, 1876, p. 233. According to the law of 1844, 100 Dutch florins ought to weigh 1 kilogramme of the fineness of .945 pure silver. If 945 grammes represent 100 florins, 1000 grammes ought to produce 105.81 florins, but the Dutch mint only gave as the product of coinage 104.75 florins. The difference was supposed to represent the cost of coinage, alloy, etc. The arbitragists were, however, certain to obtain from the Dutch mint 104.75 florins. Consequently, they bought silver in the English market, and there remitted in payment paper on London at 11.90 florins per pound sterling. Estimating tbe profit on the operation, we find 1 kilogramme = 1000 grammes silver; 31.1 grammes = 1 ounce fine; 37 ounces fine = 40 ounces standard; 1 ounce standard = 58 florins; £1 = 11.90 florins.

Therefore 1 kilogramme of silver would cost about -	99.97 florins
Transportation, insurance, brokerage, loss of interest, etc.	.74 florins
Total cost	100.71
Mint pays per kilogramme	104.75
Profit	4.04

or about 4 per cent. In October 1874, the Dutch government suspended the coinage of silver. The result was a rise of exchange on Amsterdam, since it was now impossible to send silver into Holland, and the gold standard was not yet adopted. The

20-franc pieces continued much in demand throughout Europe. They were especially preferred at Berlin and a premium of about .3 per cent. on them made its appearance.[1] At the same time the favorable state of exchange, which had been of so much assistance to France and the Latin Union, was interrupted. A slight premium on the gold 20-franc piece was noted at Paris, and although it did not exceed .1 per cent. it was regarded as an unfavorable system.[2] In Belgium, the abundance of silver made the exchanges rise to the point which permitted the exportation of coin, and considerable withdrawals of foreign coin were observed. The bank reserve fell off slightly, and "napoleons" in quantities of some magnitude were sent to Paris.[3] In Italy, the market was in a quiescent condition during July,[4] but in France the bank reserve decreased steadily though slowly. The same tendency to diminution in bank reserves was noted in Belgium and Switzerland, although this was partly due to a lower discount and extended accommodations to the public. However, as the year began to wane and the time for another conference appeared in sight, an easier condition of the market became manifest. Shipments of coin from Belgium to Paris almost ceased,[5] and from October 12 to October 25 the reserve

result was of course a great need of paper on Amsterdam. Exchange even rose to 216 francs for 100 florins. A solution of the monetary problem was imperative. The Chambers of Commerce of Amsterdam and Rotterdam addressed themselves to the Minister of Finance and demanded settlement of the question either one way or the other in order to render commerce more stable. At the beginning of March 1875, the Dutch bank announced that it would receive gold as security. This favored the importation of gold, and large quantities were shipped in from Belgium. Paper fell to 214 francs 50 centimes. In the meantime, the finance minister had prepared a law introducing the single gold standard, that is to say, it allowed free coinage of gold while maintaining the interdict on silver coinage. As soon as the scheme was known, exchange began to rise at Amsterdam. The bank then began to buy gold, though the price it had to pay rose from 1621 florins per kilogramme to 1642.50 florins. Exchange on Amsterdam became unsalable. The bank acted with great prudence throughout.

[1] *Économiste Français*, July 1, 1876, p. 9.

[2] *Ibid.*, July 22, 1876, p. 105.

[3] *Ibid.*, July 1, 1876, p. 9.

[4] *Ibid.*, July 1, 1876, p. 9; and August 5, 1876, p. 177.

[5] *Ibid.*, September 30, 1876, p. 439.

of the Bank of France rose 37 millions,[1] while no more coin was shipped to London from Paris. Twenty-franc pieces again became scarce at Berlin, for exchange was now again in favor of France, and French coin flowed homeward. Switzerland's money market was quiet, and Italy was the only country of the Latin Union where unfavorable symptoms were observed. In the course of its many vicissitudes, the price of the Italian *rente* had, by November, sunk unusually low, and the paper currency had depreciated along with it. Gold was now quoted at 9.5 per cent. premium.[2]

Notwithstanding the general good condition of the money market, debate on the bimetallic question did not lessen. Belgium had hitherto been the first of the countries of the Latin Union to inaugurate new policies. She was not now unfaithful to her old tendencies. The party of monetary reaction had for some time been losing ground, and when, on December 6, 1876, a bill providing for the complete and indefinite suspension of the coinage of the silver five-franc piece was introduced in the *Chambre des Représentants*, it easily secured the support of a majority.[3] It had long been noticed that M. Malou, once a theoretic bimetallist, had been drifting toward the opposing policy, undeterred by the accusations of defection which were showered upon him. His former opinions now, however, reasserted themselves, and when the more radical spirits in the chamber, encouraged by the success of the measure of the 6th, attempted to secure the introduction of a bill limiting the legal-tender quality of the silver five-franc piece to 100 francs at each payment, he manifested alarm, and at once threw the weight of the ministry upon the other side. The demand for the new measure was unheeded, and Belgium had to be satisfied with the introduction of the so-called *étalon boiteux* or limping standard, by which was understood the monetary régime which permitted the full legal-tender quality of both metals while allowing the free coinage of but one, and which seems to have been an almost

[1] *Ibid.*, November 25, 1876, p. 693.

[2] *Ibid.*

[3] *Journal des Économistes*, 1877, i. 1, p. 110.

unavoidable transition stage in the monetary history of many countries. Some, indeed, have never been able to pass from under its domination, and of these the Latin Union now stands as a conspicuous example. It is extremely doubtful whether the immediate adoption of the single gold standard by Belgium alone would have been either prudent or successful. It is likely that such a measure would have forced out of the country a considerable amount of silver which would have found a home in the allied countries, and probably chiefly in France. Had France adopted, as a retaliatory measure, a law similar in nature to the one just passed in Belgium, the silver five-franc piece, if unsustained by a promise of redemption, must have suffered a great and sudden fall. This would have forced a monetary crisis whose outcome would be hard to infer. If no such measure had been adopted in France, it is probable that the irritation which was felt in many quarters over the effect of the Latin Union would have precipitated a break-down of the whole structure, and that the five-franc pieces of Belgium would have been so used as to force them back into their native country, where they must either have been redeemed or have suffered depreciation.

The year 1877 was to be an almost colorless period. No marked advance in a further elaboration of a scheme for the amelioration of the monetary situation was attained on any side, and it was not until the close of the year that monetary events again began to possess an intense interest. Even the regular annual conference was not a feature of the period. Monetary feeling in all the countries was by this time well defined, and all were evidently waiting for January 1, 1880, when they would be freed from the obligations entailed by the treaty of 1865, and could reconstruct that act, if so desired, upon a new and more satisfactory basis. The yearly conferences had, at the last two meetings, been found unprofitable events, and they had contributed nothing new to monetary knowledge. The countries were now so evidently and clearly at one in desiring continued restriction that it was not deemed worth while by the French administration to go to the trouble of convoking a conference

at the opening of the year. Diplomatic communications were therefore addressed to the allies with the proposition that the quotas of the coming year be fixed at one-half those of the preceding year, and that no meeting of delegates be held. The suggestion was accepted, and the plan of holding annual conferences was a thing of past history. This fact in itself is significant. We have emphasized the so-called "expectant" attitude which France represented herself as preserving. With the sacrifice of the annual conference plan, this attitude broke completely down. The plan of annual conferences was nominally taken up with the object of maintaining such pliability and mobility in the monetary system that it could at any time be altered, in accord with circumstances. Now, the conferences were given up on the ground that their decisions would be a foregone conclusion. It was a distinct step in the evolution, and marked a considerable advance toward a stable policy.

France still continued to be the recipient of large sums in gold.[1] Confidence was being rapidly restored, and deposits in the bank were increasing very rapidly,[2] while the specie reserve kept pace with them.[3] Large amounts of gold were shipped in from Brussels and London.[4] In February, the reserve was still on the increase, and the bank became unwilling to receive foreign gold coin and ingots for notes save at a commission of 1 per cent.[5] The reason was said to be the heavy tax on the notes, which led the bank to desire to retire a part of its note circulation which was not now greatly in excess of the specie held. Notes of 50 and 100 francs it was especially anxious to withdraw, and it showed itself little disposed to give notes for gold to merchants who demanded them.[6] Despite the continuous inflow of gold, fears were continually entertained that this state of things would not be of long duration. More and more eagerly did France watch the course of contemporaneous monetary events, for she knew that the years before 1879 must decide the

[1] *London Economist*, January 20, 1877, p. 65.

[2] *Ibid.*, May 26, 1877, p. 605. [3] *Ibid.* [4] *Ibid.*

[5] *Économiste Français*, February 24, 1877, p. 243. [6] *Ibid.*

immediate fate of the Latin Union. The market price of silver afforded no hope. After rising at the beginning of the year, silver had again rapidly fallen, and still displayed a strong downward tendency.

The work of the American monetary commission was not encouraging. France looked upon its discussions as puerile, or as dictated by the cries of a special interest, and the unfavorable opinion of American legislators, which had for some time been entertained, was considerably intensified.[1] The United States was not likely to help her in rehabilitating silver. From Germany not a great deal more trouble was to be anticipated. Her sales of silver would soon end. This fact, nevertheless, did not seem to yield the satisfaction which had previously been expected, nor did it apparently exercise the slightest influence in buoying up the price of silver. The countries which, it was hoped, would by their substitution of silver for paper, afford a market for the metal, remained almost passive. Some stirrings were visible in Austria, and a slightly bettered condition was noted in Italy, but discerning eyes could see that not for a long time could either of these countries, even if so disposed, afford any relief. In Russia, the case was even more hopeless.

Altogether the prospects for the immediate rehabilitation of silver were not bright. French bimetallists began to lose hope, and public opinion was so definitely expressed that it became understood that "the artificial policy of the Latin Union had completely broken down."[2] Still, some of these facts were regarded as unworthy to cause alarm. Germany was not finding it easy to substitute gold for her silver. The political crisis in France, the delicate condition of the eastern problem, and the European uncertainty arising therefrom, were regarded as disturbing influences, while the operations of the syndicate controlling the Russian loan had no doubt led to the congestion of

[1] *Économiste Français*, April 7, 1877, p. 427.

[2] *London Economist*, July 7, 1877, p. 791. Cf. also *Économiste Français*, July 21, 1877, p. 81.

silver at Berlin and the losses of gold already mentioned.[1] Certainly, the future was doubtful, and the Bank of France, in view of the favorable situation, deemed the moment opportune for an attempt to expel from its vaults some part of the large sums of silver therein contained. True, such attempts had hitherto been regarded with extreme disfavor by the public, but now it was hoped that resistance would be overcome, and the tax imposed on the notes, which in one year[2] had amounted to the sum of 3,732,653 francs, was put forward as an excuse for withdrawing the notes and replacing them with silver. In reality, such a measure was sure to encounter strenuous opposition. The years since the great war had witnessed an immense development of the use of credit instruments in wholesale and retail transactions, and the attempt to return to payments made in sacks of five-franc pieces was sure to arouse opposition.

The attempt was first made in the outlying districts. Complaints were heard from all sides.[3] The reactionary policy of the bank with regard to silver continued throughout the year.[4] Not only did the 100-franc notes continue to be withdrawn, but the bank announced its determination no longer to receive foreign silver coin (*i. e.*, coin of countries outside the union—notably Spanish and South American) on deposit, except under unfavorable conditions.[5]

It was unquestionably in pursuance of this policy that the bank was following out its plan for expelling silver from its vaults into the circulation. It was true that the tax upon notes was rather heavy, but it could scarcely be believed that this was the prime cause of the bank's action. In reality, it was merely eager to force into circulation some part, at least, of the 700 or 800 millions of francs which were in its vaults, and it probably thought to open an enlarged field for their circulation by the retirement of some notes. Nothing could be more injurious to

[1] *Économiste Français*, September 29, 1877, p. 398. [2] 1873.

[3] For text of letters see *Économiste Français*, October 13, 1877, p. 456.

[4] *Économiste Français*, November 24, 1877, p. 657.

[5] Cf. *London Economist*, August 11, 1877, p. 952.

the bank than to offend its clientèle, but it still persevered, though complaints against the monopolization of the privilege of issuing notes were now and then heard.[1] Repeated complaints of an insufficient supply of money were continually heard at Paris in consequence of the withdrawal of the 100-franc notes.[2] There was an abundance of silver, but, as the belief seemed to be that it could not be used in large business transactions, it might almost as well not have been in existence. Much of the inconvenience to the community was caused by the uncertainty of the bank concerning the future. At some times, it was willing to disburse gold; at others, the contrary was the case. At all times, it was anxious to liquidate in silver, when possible.

In the meantime, the *cours forcé* reached its close. On January 1, 1878, the debt of the state to the bank had, as required by the law of August 3, 1875, Art. 28, been reduced to 300 millions, the small balance of 750,000 francs which was left, representing only interest.[3] The notes were still to continue as legal money, and could be used in payments to the state.[4] This had a tendency to relieve the situation. The bank could not force the public to receive silver, since that might lead to a premium on gold. At present, it need have no fear of being obliged to pay gold, since exchange was such as to render its export unprofitable. The attempt to force silver upon the public had, so far, been a signal failure, and the bank began to see that it must not go too far in this effort. The year 1878 opened favorably. France was in a very satisfactory financial condition. During 1877, she had filled the unique position of creditor of the world.[5] In September (1877) alone, the import of gold and silver had amounted to 115,526,830 francs, of which 11,119,970 francs was in gold bullion and 84,653,700 in gold coin. The import from England, Germany, and Italy, was greatly on the

[1] *Économiste Français*, October 20, 1877, page 495, and January 5, 1878, p. 17 *et seq.*

[2] *London Economist*, January 19, 1878, p. 63. [3] *Ibid.*, p. 64.

[4] MATHIEU-BODET, *Les Finances Françaises de 1870 à 1878*, vol. i. p. 201.

[5] *London Economist*, December 1, 1877, p. 1424.

increase.[1] More and more, the silver standard was coming to be regarded as impracticable. The vote on the Bland bill in the United States was unfavorably regarded by the French.[2] The message of President Hayes, in which he urged that the treasury bonds should be loyally and honestly paid in gold, was regarded with respect.[3] Only a year remained before the treaty of 1865 was sure to be renounced. Public opinion demanded that it should not be renewed on the old terms. In the meantime, it was desired to suspend the coinage of silver and, as the states were still in accord on this point, no conference was called. France, as in the preceding year, simply addressed diplomatic communications to the allies with the proposal that, for the year 1878, no coinage of silver be allowed.[4] Italy had not yet completed the recoinage of her old coin, and she therefore made objection to the arrangement. She was, however, by common consent, allowed an extraordinary quota of 10 millions to cover the recoinage, and it was further agreed that, in the course of the year, a conference should be held to consider the expediency of a reformation of the Latin Union, and, if advisable, to elaborate a new treaty.

As the year 1873 is, in everyone's mind, associated with the great fall in the value of silver and the entrance of commercial nations upon a period of storm and stress, so the year 1878 is associated with decisive steps in monetary legislation. The International Monetary Conference, and the Conference of the Latin Union, were the two most striking monetary events of the year. Many other occurrences mark the period as peculiarly noteworthy. The year opened with a continuation of the policy of suspension by France. Now that the conference of the Latin Union for the year had been prorogued, it was necessary to secure further powers for the continued suspension of the coinage. During the last week in January, a bill was introduced

[1] *Ibid.*, October 27, 1877, p. 128.

[2] *Économiste Français*, December 15, 1877, p. 747.

[3] *Ibid.*, December 8, 1877, p. 722.

[4] "Report of Feer-Herzog to Swiss Union of Commerce and Industry," *Journal des Économistes*, 1878, ii. 1, 258.

into the chambers by M. Say,[1] which provided for the prolongation of the government power of suspension until the end of March 1879. The bill was referred to a committee[2] which, in its report upon the measure, explicitly advised the government against a renewal of the Latin Union[3] and invited it to take steps for the abolition of the monetary compact. Many expressed surprise at this part of the report, and the general opinion was adverse to accepting the recommendations on this head. The minister of finance refused to admit that the present legislation was a step toward the gold standard.[4] He also thought that, if the Latin Union was to be continued, it must be remodeled. The convention was disadvantageous for France, with regard to countries where specie payments were suspended. Italian coin flowed into France and, while it could be returned, the bank notes in which payment would be made were depreciated fully as much as the silver. About 500 millions of foreign silver was now in the vaults of the bank. As to the suspension of coinage, there could be no doubt. France had already, to all intents, given up the double standard.[5] It was easy to read between the lines of the reservation made by Say when the question had come before the senate. They were mere official expressions of impartiality. The government was of course granted the power it asked for. France "put the double standard into fetters." In the session of January 25, 1878, the senate[6] adopted, by a unanimous vote of 244, the government bill continuing the law of August 5, 1876.[7] Contemporaneously,

[1] *Journal Officiel, 1878*, p. 267; also *London Economist*, February 2, 1878, p. 124.

[2] *Journal Officiel, 1878*, p. 408. [3] *Ibid.*, p. 1052. [4] *Ibid.*, p. 797.

[5] *Ibid.;* also *London Economist*, March 9, 1878, p. 265.

[6] Cf. discussions before Chambre des Députés, *Journal Officiel*, pp. 818, 920, 1061, 1349.

[7] *Ibid.*, p. 797; also *Économiste Français*, February 2, 1878, p. 146. The bill was signed and became a law on January 31, 1878. For text see also *Bulletin de Statistique et de Législation Comparée*, 1878, i. p. 69. It ran as follows:

The Senate and Chamber of Deputies have adopted,

The President of the Republic promulgates the law which follows:

Single Article — The provisions of the law of August 5, 1876, relative to the coinage of silver five-franc pieces are today continued up to March 31, 1879.

The present law discussed and adopted by the Senate and Chamber of Deputies shall be executed as a law of the state.

Done at Versailles, January 31, 1878. (Signed, etc.)

the fall of the Malou ministry in Belgium and the inauguration of the Liberal ministry under the leadership of Frère-Orban[1] gave promise of a radical anti-silver policy.

One of the most interesting events of the year was to be the International Monetary Conference held in Paris in August, 1878. The second section of the Act of the United States Congress, passed February 23, 1878, provided for the extension of an invitation to the various European governments to join in a general meeting for discussion of the monetary problem. We shall, of course, mention only those events in the history of the conference which were connected with the Latin Union. Public opinion throughout the union was at first decidedly hostile to the idea of such a conference. When the conference was announced the *Moniteur* predicted that its work would be a "laudation by the United States of the ratio of 16 to 1 and of that of 15½ to 1 by the French."[2] For some time, it was doubtful whether the states of the Latin Union would accept the invitation of the United States to be present. On May 4, it was announced[3] that the smaller states had accepted. It was not yet known what France would do. Her course might be guessed from a statement by M. Parieu in which he suggested that, in assisting the United States in the rehabilitation of silver by affording a market for her metal, the Latin Union would be likely to be duped. Other publicists sustained this view, and the general opinion was that silver had had its day in France.[4]

In the early part of June, a dispatch from Washington announced that all the states of the Latin Union except Belgium had accepted the invitation.[5] There could be no doubt as to how Belgium would instruct her delegates to the conference, now that the Frère-Orban ministry was in power. Public sentiment in Belgium—always inclining to the side of the gold standard—was now running strongly in favor of it.[6]

[1] *London Economist*, June 22, 1878, p. 728.

[2] Compare *London Economist*, March 30, 1878, p. 363.

[3] *Ibid.*, May 4, 1878, p. 517.

[4] *Économiste Français*, May 11, 1878, p. 597.

[5] *London Economist*, June 15, 1878, p. 697.

[6] *Ibid.*, April 13, 1878, p. 423.

The International Monetary Conference was duly opened at the ministry of Foreign Affairs in Paris in August 1878.[1] We may very briefly recapitulate the attitude taken by the Latin Union at this conference.

Belgium was the most radical of the countries. M. Pirmez declared that "the double standard results in organizing monetary crises." Belgium, therefore, could not accede to the demands of the United States for the rehabilitation of silver.[2] Practically the same ground was taken by Switzerland. Italy and Greece were wavering. They were naturally prone to inflation, but were bound hand and foot to their monetary allies. France was very cautious. M. Léon Say made some contradictory statements, and belied the opinion he had formerly expressed in his speech of March 22, 1876, before the French Senate.[3] He explained why the Latin Union had practically suspended coinage of silver and harped upon the attitude of "expectancy, from which we shall not move except for good reasons, when they present themselves, and then probably to enter upon the system of the double standard."[4] He was, however, careful to explain that France had all the silver she could handle at present and wanted no more. He refused to express any opinion with regard to the rehabilitation of silver, and remarked that the proposition of the United States was premature. He admitted that "it was hardly possible to see in the Latin Union a body entirely united," but assured the United States that France was sincerely bimetallic at heart. In general, France emerged from the conference at the same point where she entered it. Her old opinions had merely been hardened; they had undergone little evolution.[5] This was also true of her allies.[6] So far as the Latin Union was concerned, the conference of 1878 was a failure.

[1] See *Journal Officiel*, 1878, pp. 8599 *et seq.*, 8634 *et seq.*

[2] Cf. *Économiste Français*, August 11, 1878, pp. 261–263; and see *Journal Officiel, loc. cit.*

[3] *London Economist*, September 14, 1878, pp. 1083, 1084.

[4] *Report of International Monetary Conference of 1878*, pp. 55 *et seq.*

[5] With this view compare *Économiste Français*, September 7, 1878, pp. 295, 296.

[6] See *Journal Officiel*, 1878, p. 8921, etc.

In the meantime, the favorable commercial situation of France remained unchanged. During the first four months of 1878 exports and imports of precious metals were as follows:

	Import (francs)	Export (francs)
Gold bullion	6,810,672	835,920
Gold coin	83,324,480	15,490,400
Silver bullion	27,342,480	2,455,400
Silver coin	35,190,860	13,249,400

The import of coin from Belgium alone was in April 8,686,720 francs gold and 9,843,160 francs silver.[1] The outlook in Belgium, too, was bright. Exchange was in a favorable condition and commerce was active. In Italy prospects were visibly better, and Switzerland was commercially sound.

[1] *London Economist*, May 25, 1878, p. 615.

CHAPTER XV.

THE CONFERENCE OF 1878.

With the Conference of 1878, the Latin Union entered upon an entirely new phase of its existence. The question whether or not new issues of silver should be allowed had practically been settled, and the treaty of 1878 merely embodied a principle whose adoption had been decided upon beforehand. The new era upon which the Latin Union was entering was one which was to be characterized by a struggle with difficulties induced during the foregoing period. Its primary object—to afford a remedy for the difficulties experienced in regard to the subsidiary coin—had been removed, not many years after the inauguration of the Union, by the disappearance of the circumstances which had led to the formation of the league.

This being the case, it may, at first sight, be considered strange that the Latin Union was not dissolved in 1879 at the expiration of the treaty of 1865. In the last chapter, however, it was seen that Belgium was a large holder of French silver, and *vice versa* that France afforded a circulation to considerable quantities of Italian silver, and that French coin was diffused to a less extent throughout the whole of the Latin Union. It must also be borne in mind that, although French coin formed a considerable percentage of the circulation of the monetary allies, yet the *actual* amount of the French circulating medium still at home was much greater than that of any other of the countries. In a word, France possessed much more of their coin than they did of the French coin.

This at once gives the reason for the continued existence of the Latin Union. For each of the smaller countries to redeem its own coin would be a difficult matter; and thus the countries of the Latin Union were bound firmly to France by the difficulty of redeeming their coin. In addition to this motive for

the preservation of the league, there were, of course, the original desires for a uniform international coinage circulating throughout the four countries. These are familiar and we need not further discuss them.

The outcome of the Conference of 1878 was at no time doubtful, although there were those who were continually hoping that the Latin Union would be dissolved. The delegates to the International Monetary Conference of August were, in the main, the same as those who were to attend the conference of the Latin Union to be held in October. While in attendance upon the sessions of the International Monetary Conference, they had had several meetings and their instructions became known before the October conference.[1] Several things manifested the general spirit that now pervaded the Latin Union. The report of M. Guyot, submitted to the *Chambre des Députés* of France on the International Monetary Conference of 1878, gave a thorough account of the conference and the outcome was distinctly adverse to silver. Similar was the bulky report presented to the Belgian chambers by M. Pirmez and analogous conclusions were reached. The report presented to the High Swiss Federal Council was even more radical in its utterances. Some time even before this, M. Feer-Herzog had, at the request of the Swiss Union of Commerce and Industry,[2] expressed the ideas of the Swiss government upon the monetary question in a report which he presented in a letter of June 21. He referred to the history of the Latin Union and enlarged upon the state of things in France where, it will be remembered, the bank had unsuccessfully been trying to force silver into the hands of the public, the attempt resulting in the deposit of about three five-franc pieces in the bank for every two forced out by it.[3] In the other countries, the same feeling

[1] *Économiste Français*, March 8, 1879, p. 287. One official session of the conference was held August 30 (see *Conference monétaire internationale entre la Belgique, la France, l'Italie, la Grèce et la Suisse, Procès-Verbaux*, 1878) but the Greek and Italian delegates having received no instructions it was deemed best to postpone the conference to October 1.

[2] For text, see *Journal des Économistes*, 1878, ii. 1, 258.

[3] *Revue des Deux Mondes*, January 1, 1878.

against silver was strongly marked, and there could be now no doubt as to the outcome of the Conference of 1878.

We have commented upon the existence of a certain party that desired the dissolution of the union. There was yet another body of opinion that favored the immediate demonetization of silver by the conference. The International Conference for the unification of weights, measures, and money voted that "the conference is of the opinion, conformably to the belief already expressed by the International Conference of 1867, that the first basis of monetary uniformity should be the single standard; and, in consequence, the gold standard."[1] Neither of these parties had much influence in the conference, which represented the fairly conservative tendencies. The recommendations of the Bank of France, already mentioned, found little favor. The general tendency was to preserve intact the *status quo* until suitable means for a change should be in sight.

On October 1, the representatives of France, Belgium, Switzerland, Italy, and Greece, twelve in number, assembled at the *hôtel* of the French ministry of foreign affairs at Paris. The debates continued through eleven sessions, the last of which occurred on November 5. In general, we may regard the Conference of 1878 as a debate on the measures to be adopted with reference to Italy. The other countries were now practically in accord on the immediate policy to be pursued. Italy alone was still anxious for further coinage of silver five-franc pieces. The interest of the other countries was to hold this desire in check, and by slow steps to bring her to redeem her coin. This also was France's position with regard to Belgium. As the president of the conference, M. Léon Say, remarked at the outset, " nothing was more desirable than the continuance of the Latin Union." The condition of Italy came up for discussion on October 1 under the form of a deliberation on the question of modifying Art. 1 of the Treaty of 1865, which constituted the original four countries a union so far as concerned their gold and silver coin, in such a

[1] *Économiste Français*, October 26, 1878, pp. 528, 529.

way as to include paper money. In the course of this discussion a debate arose upon the *cours forcé*.[1] M. Pirmez of Belgium expressed his belief that the difficulties encountered from the five-franc piece — especially by the bank of France — were due to the influx of Italian silver into the other countries. He believed that the Latin Union should take some steps toward regulating or restricting issues of paper money within its limits.[2] This attack at once aroused the Italian representatives. According to M. Ressman,[3] Italy could promise nothing. She was working, he said, toward the abolition of the *cours forcé*, and no engagements which might be exacted from her could force her forward more rapidly. The first step toward abolition was, he thought, the withdrawal of the small notes, and this Italy was prepared to undertake. This would be a first step toward redemption of the five-franc pieces. M. Baralis thought that Italy should not, however, fail to coin the five-franc piece, since such coinage would be necessary in order to render possible the prospective retirement of the small notes. Further, there still remained some non-decimal and earlier Neapolitan coins which must be converted into new coin.[4] Some even expressed the opinion that, since Italy intended ultimately to redeem her five-franc pieces, there could be no objection to her resorting to new coinages to almost any amount. In other words, Italy was desirous merely to convert her debt into another form. The profit on the coinage of the over-valued five-franc pieces would make up for the loss incurred in redeeming the small coin and the prospect of having, at some time in the distant future, to redeem these five-franc pieces, even at an increased loss, was not sufficiently alarming to lead Italy to adopt a sounder method. Others maintained that such a redemption of the five-franc piece by Italy was by no means obligatory, and the assumption of it was merely a way of displaying good faith. These ingenious persons maintained that redemption of the five-franc piece was

[1] *Conference monétaire entre la Belgique, la France, l'Italie, et la Suisse. Procès-Verbaux*, 1878, p. 30.

[2] *Ibid.*, p. 31 *et seq.* [3] *Ibid.*, p. 32 *et seq.* [4] *Ibid.*, p. 39.

an absurdity. The treaty of 1865 had said nothing of such redemption, and the principle might be applied to gold with fully as great propriety as to silver.[1] The greatest stress was, however, laid on the justice of affording to Italy some compensation for the sacrifices about to be necessitated.[2] The Belgians were, on the contrary, resolute to prevent further output of silver, and they declared they could see no advantage in the proposed redemption if it were to be effected at the cost of additional coinage of silver. Switzerland expressed the same ideas as Belgium.

The three countries proceeded to make certain requirements of Italy as prerequisites to the formulation of another treaty. They were briefly these:

1. Redemption of subsidiary coin.

2. Withdrawal of notes of denominations less than five francs.

3. Agreement to issue no more five-franc pieces.

However, the time proposed for the consummation of the transaction involving the payment for the coin was reasonably long. Five years were suggested.[3] Not much objection was made by Italy to the first two of these propositions, for it was clear that so much must be conceded to the wishes of the allies.

It now remained to determine the method and details of the operation. It was primarily necessary that some measures be taken for insuring the continuance of the subsidary coin in Italy after its return, else the old difficulties would be repeated. Several plans were proposed for effecting this object.

1. Substitutions of small coin for small notes in such proportions as to render the retention of the coin necessary for carrying on business.[4]

2. Removal of the legal-tender quality from the Italian subsidiary coin.[5]

3. Elevation of the fineness from 835 to 900 thousandths.[6]

[1] *Ibid.*, p. 40.
[2] *Ibid.*, p. 41.
[3] *Ibid.*, p. 47.
[4] *Ibid.*, p. 47.
[5] *Ibid.*, p. 48 *et seq.*
[6] *Ibid.*, p. 51 *et seq.*

4. Exclusion of subsidiary coin from the cognizance of the new treaty.[1]

The first of these was, of course an absolute prerequisite to any successful action in the matter. As long as the notes continued to circulate, it was not likely that the coin could be maintained in circulation beside them. There could, therefore, be no opposition to the measure. Italy, however, proposed to withdraw each year for five years a sum equivalent to one fifth of the total amount of subsidiary coin in existence.[2] This was not a very useful means of procedure. Depreciated notes, even if reduced in amount, would be sure to drive out the silver put in circulation each year, and the notes would be, for some time, likely to remain below par, since the prospect of complete redemption was to be postponed, according to this scheme, for five years. Thus, the only result might be a comparative scarcity of currency. There could be no doubt that the second of the measures proposed would afford some assistance in retaining the Italian coin within the country. Moreover, it would relieve the foreign banks from the necessity of receiving and holding it in stock. Although it was possible that, as was feared, monetary habits in the matter of receiving the coin might enable some of it again to flow into foreign territory, yet, on the whole, the provision was sure to be beneficial. The wisdom of the two remaining measures was far from certain. They need little explanation to render their object clear. It was hoped that by restoring the subsidiary coin to the old or "normal" fineness of .9 which it had possessed during the long period prior to 1865, the additional value of the coins thus attained would render them less liable to exportation. This would, nevertheless, be a very serious step. Not only had the countries just been able, after a long period of withdrawal and substitution, to secure a tolerable uniformity in their subsidiary coin, but to return to the old fineness would involve considerable expense[3] which they were unwilling to incur. Besides, the measure would not go to the root of the matter since, in the disturbed state of

[1] *Ibid.*, pp. 41 and 51–53. [2] *Ibid.*, p. 47. [3] *Ibid.*, p. 53.

Italian exchange, the intrinsic value of the coin was frequently indifferent, the profits arising chiefly from fluctuations in the rate of the exchange.[1] Of course, the reasons that in 1865 had dictated a reduction of the fineness of the coin[2] were now no longer valid, on account of the depreciation of silver, and the question of restoration to the old fineness was merely a matter of expediency. Some speakers even went so far as to stigmatize the action taken in 1865, in lowering the fineness, as useless.[3] Others approved the measures of 1865, even while advocating a change at present.[4] Little need be said on the fourth point. To exclude the subsidiary coin from the treaty provisions would be an injurious policy as well as a radical departure from the original object of the union. It was true that such a step might, by confining each country to the use of its own subsidiary coin, render it somewhat less easy for the Italian coin to leave the country, but the importance of the object thus attained would hardly justify the inconveniences to be overcome. On the other hand, certain other difficulties would thereby be obviated. The measure encountered so much opposition that it was clear it could not be carried.[5] The third of the three demands,[6] that of the cessation of coinage of the five-franc pieces, now once more came up for discussion. The preliminary debates which we have analyzed had very clearly manifested the temper of the different states. All the allies, except Italy and Greece, were anxious to interdict coinage of silver.[7] Greece had little weight in the council, so that Italy was practically alone in her wishes.

It is well worthy of notice that the question of redeeming the five-franc piece was not brought up by any except French representatives. M. Léon Say, in particular, frequently recurred to the subject,[8] and on one occasion he was sharply opposed by M. Ressman who characterized his demands as in disaccord

[1] *Ibid.*, p. 52.

[2] Cf. *ibid.*, p. 54.

[3] *Ibid.*, p. 54.

[4] *Ibid.*, p. 55.

[5] *Ibid.*, pp. 40, 53, 55, etc.

[6] See *supra*, p. 181.

[7] *Ibid.*, pp. 67–69 *et seq.*

[8] *E. g.*, *ibid.*, p. 66.

with "common sense."[1] M. Feer-Herzog was by far the most dispassionate of the speakers. He explained that since the adoption of the treaty of 1865 the establishment of the *cours forcé* in Italy, and certain other circumstances, had introduced new elements into the problem of monetary consolidation, and that, in discussing the situation, it was consequently impossible to be guided by the strict letter of the Treaty of 1865.[2] An increase in the stock of coined silver would be disastrous. It could not be carried. The union was now so heavily loaded with silver that a slight increase would have highly injurious effects. At present the course of exchange was wholly regulated by gold, and this condition must be maintained. These ideas were supported by the other members, and it was manifest that there was but one opinion in the conference. The obstinate resistance of the Italian delegates did not decrease. They declared that it was impossible to take any steps toward redemption of the notes, unless a quota of five-franc pieces should be allowed them, and they finally named 20 millions as the minimum desired,[3] with a guarantee of reception of the coins on equal terms by the banks of France and Belgium. It was now decided to appoint a committee which should draft a provisional agreement for consideration.

On October 10 the committee accordingly reported a provisional treaty. Naturally the stipulations of the act with reference to Italy were first taken up. These were chiefly contained in Art. 8 of the main document. It provided that the other countries were to retire and cease to receive the Italian subsidiary coin, but that these coins should be restored to their original footing, from the time of the abolition of the *cours forcé*. When the operation should be complete the Italian government should no longer be required to redeem at its public treasury the subsidiary coin of the other states.[4] This agreement was supplemented by an additional act

[1] *Ibid.*, p. 68. [2] *Ibid.*, p. 69. [3] *Ibid.*, p. 77.

[4] *Conférence monétaire internationale entre la Belgique, la France, l'Italie, la Suisse, et la Grèce, Procès-Verbaux*, 1878, p. 94.

in six articles, providing that the operation should be begun and concluded on dates to be specified, and that the coins should be deposited at certain places, to be designated thereafter. Three and one half per cent. was to be paid by the Italian government on all coin so retired and reserved by the different governments, beginning with the day on which the Italian coin should cease to have international legal-tender quality. Whenever any sum in coin was shipped to the Italian government, the latter was to withdraw and destroy a sum in notes at least equal to such shipment. Payment for the coin was to be made in five equal annual installments, in bills payable at the capital of each of the creditor states. Expenses of withdrawal were to be borne by Italy.[1] It was further agreed, at the request of Italy, that the transaction should be managed by the French government, in order that Italy might have but one country with which to negotiate.[2]

In regard to the duration of the convention and the provisions for taking care of the five-franc piece, three propositions were made. The first was that of M. Feer-Herzog. It fixed the expiration of the treaty at January 1, 1886, and, by tacit agreement, provided for the continuation of the treaty from year to year. The second originated with the Belgians and annexed to the stipulations of Feer-Herzog the provisions that no country under the régime of the *cours forcé* should have the right of secession, and that, in case of the defection of one or more countries possessing more than one half the population of the Latin Union, the whole agreement should lapse. The French scheme substituted for this last provision the obnoxious demand that any seceding country should be bound to redeem in gold, prior to its secession, the silver five-franc pieces of its coinage held by the other states in excess of those of the other states held by it. This at once aroused violent opposition.[3] Italy flatly refused to assent,[4] and Belgium, while eager to secure the redemption by Italy of the Italian coin in her own circulation, was not

[1] *Ibid.*, p. 95.

[2] *Ibid.*, p. 96.

[3] For debate, see *ibid.*, pp. 98–205.

[4] *Ibid.*, p. 101.

anxious to establish the same rule of action for France and herself. She was desirous of finding some substitute by which the provision of the act would not be likely to establish a dangerous precedent. M. Feer-Herzog expressed the opinion[1] that, as these clauses were not likely to be approved by the different governments, it was useless to introduce them into the draft of the treaty, and that the solution must be looked for rather in the amelioration of the financial condition of Italy during the six years of the duration of the treaty. One or two substitutes for the articles were proposed, but the suggestion of M. Feer-Herzog seemed to meet with the most approbation. This, it will be remembered, simply omitted all mention of the redemption of the five-franc pieces. At the wish of certain delegates, resolutions to somewhat the same effect as the rejected articles were drawn up and ordered printed in the *Procès-Verbaux*, inasmuch as it was deemed inexpedient to incorporate them into the treaty.[2]

The question of further coinage for Italy was relegated to a separate division of the agreement, which was annexed under the title of a *Déclaration*. This provided for the coinage by Italy during the year 1879 of a quota of 20 million francs in five-franc pieces, but for the total abolition of the right to issue legal-tender silver throughout the states of the union thereafter, as well as for the discontinuance of the issue of the *bons de monnaie*.

There was yet another important point to be brought up. Since 1865, population had been on the increase and the stock of fractional coin was quite generally regarded as inadequate, especially in view of the fact that the Italian coin was to be withdrawn and returned. Early in the year, when the subject of the new monetary conference had been broached, it had been remarked that, had it not been for the assistance derived from the Italian coin, subsidiary money must have become scarce in France.[3] Demands were soon made by Belgium, Italy, Greece, and Switzerland for increased quotas of small coin. Belgium

[1] *Ibid.*, p. 100. [2] For text of resolutions, see *ibid.*, p. 148.

[3] *London Economist*, April 20, 1878, p. 461.

asked for one million, Italy for 12 millions, Greece for 1.5 millions, and Switzerland for one million.[1] This would leave France the right to ask for ten millions, the separation of Alsace-Lorraine being considered as lowering the quota.[2] Some delegates were of opinion that the per capita basis of calculation should be lowered from six to five francs.[3] This belief was not general and, in summing up at the close, the president announced it to be the sense of the conference that the basis of six francs should be maintained,[4] although he remarked that his own opinion led him to look with hesitation upon any proposal to increase the stock of subsidiary coin.[5] True, some of the increase was wanted by Switzerland and Italy for the recoinage of old or base coin, but in general the principle of increasing the stock was to be regarded as bad.

Difficult and disputed points had now for the most part been settled,[6] and, on October 20, a complete draft of the treaty was reported for action. Essentially, it was the same as the treaty of 1865, with the modifications subsequently introduced. Changes had been made in a few minor particulars, but, on the whole, there was little alteration. Quotas of subsidiary coin were fixed, in accordance with the suggestions we noted, as follows:

	Francs
Belgium	33,000,000
France and Algeria	240,000,000
Greece	10,500,000
Italy -	170,000,000
Switzerland	18,000,000 [7]

The article on counterfeiting (Art. 12) was amplified. One point deserves special mention. The coinage of gold five-franc pieces was suspended. This question had previously been discussed,[8] but in an incomplete and unsatisfactory way. It had all

[1] *Conférence monétaire internationale entre la Belgique, la France, l'Italie, la Suisse, et la Grèce. Procès-Verbaux*, 1878, p. 153.

[2] *Ibid.*, p. 154. [3] *Ibid.*, p. 154. [4] *Ibid.*, p. 156. [5] *Ibid.*, p. 154.

[6] We need not here discuss the debates on counterfeiting (see *ibid.*, 109–142). They were long and minute. A compendium of penal legislation on the subject was added.

[7] *Ibid.*, p. 162. [8] *Ibid.*, p. 34 *et seq.*

along been complained that the gold five-franc piece was almost useless, being small, light, and easily abraded. It had a tendency to accumulate in the bank vaults, and was little used in daily payments. The coinage had been small. To these considerations there now seems to have been added the hope of slightly enlarging the field for the circulation of the silver five-franc piece. The result was the suspension of the coinage of this piece of money by Art. 9. The coinage of silver five-franc pieces was, by the same article, abrogated until a unanimous accord on the subject should be established throughout the union.

It now only remained to fix the details of the operations connected with the Italian redemption of subsidiary coin. These were relegated to a separate arrangement which was prepared by the subcommittee and reported on October 30.[1] Sections 1–3 stipulated that the operation of retirement should be performed between July 1 and December 1, 1879, estimated the amount to be retired in France at 87 millions, and in the other countries at 13 millions, and provided for the shipment of these coins to the French government, which should conduct the transaction.[2]

M. Feer-Herzog, at the final meeting, said:

> The Latin Union is to be renewed and confirmed. Governments and people will learn, no doubt with satisfaction, that the five states are not to cease to be united by the bond of a common monetary circulation, and we may hope that this union, established between them with regard to their coinage, will continue to exercise a happy influence on their political and commercial relations.[3]

We shall now try to see how far these prognostications were verified.

[1] See Appendix I for translation of all this legislation.

[2] *Conférence monétaire internationale entre la Belgique, la France, l'Italie, la Suisse, et la Grèce, Procès-Verbaux*, 1878, p. 172.

[3] *Ibid.*, p. 192.

CHAPTER XVI.

ITALY AND THE TREATY OF 1878.

Two fundamental principles had been established by the Treaty of 1878:

1. Suspension.
2. Redemption.

It is true that the first may be considered as having been established earlier. It had, of course, been first adopted by national legislation. This, however, was the first time it had been found in crystallized form in the international monetary agreement.[1] The fact that Italy had, by exception, been allowed an extraordinary quota did not in the least infringe upon the general principle. Although this coinage was to be permitted, it had been fully demonstrated that further issues of silver would not be allowed. It would not be fair, perhaps, to claim the establishment of the second principle solely from a study of the treaty itself. That instrument had provided for the redemption, either in silver or gold, of the subsidiary coin alone. It may, therefore, be argued that the treaty had established no precedent for the redemption of standard coin. A study of the debates upon this instrument, however, leads to the belief that such a precedent was established. In the course of our analysis of the arguments, one occasion was especially noted when it was desired to incorporate the principle of redemption in the treaty. Thus, it may be fairly said that the redemption of silver has been one of the bases of the Latin Union from 1878 to the present time. In this way, the treaty took the the first step toward monetary reform.

The outcome of the conference did not become public for a short time, although the general provisions of the treaty were

[1] Cf. FAUCHILLE, *L'Union monétaire Latine, son Histoire*, in *Annales de l'École libre des Sciences politiques*, October 15, 1886, p. 520 *et seq.*

unofficially published as early as November 16.[1] On November 6, the *Journal Officiel* had announced that the treaty was to be renewed and that the modifications would be "those demanded by circumstances," although it did not say what these would be.[2] By the last of the month, however, M. Say had brought before the chamber of deputies a bill to ratify the new treaty.[3] This was voted by the chamber on its first reading,[4] and was slowly passed from one to another of the necessary legislative formalities. In Belgium and Switzerland, the legislative assemblies moved more quickly, and the treaty had been generally ratified when, on April 28, 1879, an unexpected obstacle appeared.

It had been no secret that the treaty had not found favor in the eyes of the Italians. The French *Débats* had early devoted an article to refuting the Italian objections.[5] These were of two kinds, economic and sentimental. The usual economic complaint was that the small coin, when returned and reissued, would be sure once more to be exported; and, since Italy must in accordance with the treaty stipulations, withdraw a considerable volume of notes, she would thus suffer from a scarcity of currency and consequent inconvenience in commercial operations. The sentimentalists urged that Art. 7 of the treaty infringed upon national rights by placing the Italian monetary system under foreign supervision.

The answer to this was, of course, that the objection applied equally to the treaty of 1865. In reality, only two courses were open to Italy: (1) either to withdraw from the union, take back and redeem from 100 to 120 millions of small coin, and, if France's attitude at the last meeting counted for anything, her five-franc pieces as well; or (2) to renew the treaty, suspend the coinage of silver, and withdraw a part of her paper. Neither of these policies suited the inflationists.

[1] *Économiste Français*, November 16, 1878, p. 625.

[2] Cf. *Économiste Français*, November 9, 1878.

[3] *London Economist*, November 30, 1878, p. 1407.

[4] *Conférence monétaire entre la Belgique, la France*, etc. *Procès-Verbaux*, 1879 p. 14; also *Journal Officiel*, 1878, p. 1186.

[5] Cf. also *Économiste Français*, December 14, 1878, p. 1466.

Accordingly on April 28, 1879, Italy addressed to the French government a communication[1] in which the belief was expressed that the treaty would not be ratified by the Italian parliament unless the allies should grant:

1. The right to issue 20 million francs in five-franc pieces during each of the years 1880, 1881, and 1882.

2. Release from the obligation, imposed by Art. 7, to retire and destroy within six months the whole of her notes of denominations less than five francs.

This complaint had been dictated by the banking and business interests in Italy, which had of late renewed the cry for more money. A firm reply was returned by France. The terms offered Italy were simply that, if Italy would withdraw the demand for more silver, France would consent to call a new conference, which should settle upon an act in place of the obnoxious Art. 7, and which should provide means for preventing a second loss of the subsidiary coin. This was prefaced by a statement that Belgium, France, and Switzerland "were firmly resolved to maintain the principle of the suspension of the coinage of silver."[2] The threat of Italy had, of course, been unsubstantial, and she was consequently obliged to content herself with the offered terms. In her answer, she therefore gave a hesitating assent to the principle asserted by France. The French minister of foreign affairs, in a note addressed to the Duc de Noailles on May 25, consequently outlined the work of a new conference, and on June 21 the delegates of the five powers met once more at Paris.

At first, Italy appeared to be bent upon obstructing the adoption of an agreement which would bind her to anything definite.[3] It was not long, however, before it became apparent that the allies were determined to settle the matters under debate[4] in a way which would prevent further differences. A committee, consisting of one French and one Italian delegate, was appointed to draw up a provisional agreement and, at the second

[1] *Conférence monétaire, loc. cit.*

[2] *Ibid.*, pp. 14–15.

[3] *Ibid.*, pp. 15 *et seq.*

[4] *Ibid.*, *Séance* I.

official session (June 13, 1879), a report containing a plan for such an agreement was presented.

The crux of the whole question was contained it Art. 5. This article was accordingly the first to be considered. It provided that the "aggregate" circulation of Italian subsidiary coin, plus the circulation of notes of denominations less than five francs, should not exceed the sum of six francs per capita. Coin shipped to Italy by France must, therefore, be held in the Italian treasury until it should be convenient to use it for the redemption of the small notes.[1] Italy desired to omit the second of these provisions and to change the wording of the first, substituting a provision with the words "effective" instead of "aggregate," circulation.[2] The total coinage of Italian subsidiary silver had been 156 millions, while the issue of small notes was 113 millions. Of the 156 millions of coin, about 25 millions were at this time in the bank reserves, 25 millions in those of the state, 100 millions (estimated) in circulation in foreign countries, and six millions in circulation in Italy. Should Italy agree, it was urged, not to allow the coin and notes issued to exceed six francs per capita, injustice would be done, since, as long as the *cours forcé* of small notes continued, some of the small coin supposed to be in circulation would be driven into the bank reserves, etc. The term "effective" circulation was thus designed to afford a larger liberty in the issue of coin to meet the wants of trade.

M. Say believed that this provision would be admissible, provided:

1. That the returned coin be employed for no other object than the redemption of notes.

2. That this operation, once undertaken, be effected in a thorough way.[3] The article as thus modified was, therefore, adopted after some slight alterations had been further proposed and accepted.[4] Art. 7 was next taken up. It merely provided that the act should be substituted for Arts. 3, 4, 5, 6, 7, and 8 of the *Arrangement* of November 5, 1878, in case Italy should prefer

[1] *Ibid.*, p. 24. [2] *Ibid.*, p. 25. [3] *Ibid.*, p. 26. [4] *Ibid.*, pp. 28–35.

to accept its provisions rather than those of the agreement. This was a purely formal stipulation, and was intended to avoid any technical claim that the substitution of a new agreement, for certain provisions of an indivisible act would invalidate the act.[1] Hence the choice between the two instruments was left to Italy.[2] The remaining sections introduced no essential modifications of the preceding arrangement. Thus, the effort of Italy to break away from the conservative policy of her allies had once more failed.

We have already noted that a bill ratifying the treaty of 1878 had been well on its way toward becoming a law in France when the action in Italy had broken in upon the course of monetary events. This bill was now passed by the senate, and on July 30, 1879, it became a statute.[3] The *Acte Additionnel*, whose evolution has just been traced, was ratified by a bill passed on the same date.[4] Similar measures were passed by the other states.

Thus, the "right of free coinage of silver" was definitely abrogated throughout the countries of the Latin Union.

[1] *Ibid.*, pp. 29–40. [2] *Ibid.*, p. 44.

[3] For text, see *Bulletin de Statistique et de Législation Comparée*, 1879, 2, p. 70.

[4] *Ibid.*, p. 71.

CHAPTER XVII.

THE PERIOD OF SUSPENSION OF SILVER COINAGE.

It was clear that France had definitely broken with the silver policy and that she intended to force upon the Latin Union as a whole the acceptance of her own ideas. True, the Treaty of 1865 had expressly provided for the redemption of subsidiary silver, and it could not be said that, in demanding such redemption, France was in the least degree exceeding the authority allowed her by that agreement. But, while France had in no respect departed from the letter of the contract, it was quite plain that she fully intended, should the Latin Union break down, to hold the allied countries to an interpretation of the Treaty of 1865 which had not been expected. It is in the light of this already evident determination on the part of France that the events of the period from 1879 to 1885 must be interpreted. The period is not solely important because of the events by which it was characterized. Of these, the only ones of much interest were the Italian resumption and the Paris Conference of 1881; and even these do not belong generically to the history of the Latin Union. The striking feature of the period is the growth in France of the feeling that some definite steps toward marking out the future course of the Latin Union must be taken. The present chapter will be an attempt to study the progress of these ideas, as influenced by the monetary events of the time.

After the ratification of the treaties of 1878 and 1879, the immediate step to be taken by France was the fulfillment of the agreement concerning the retirement and return of the Italian subsidiary coin. The treaty of 1878 had, as already mentioned, been ratified by the law of July 30, 1879,[1] and, by the supplementary act of the same date ratifying the *Acte Additionnel*,[2] power was conferred upon the minister of finance "to come to

[1] See *Bulletin de Statistique et de Législation Comparée*, 1879, 2, p. 70, for text.

[2] *Ibid.*, p. 71.

an understanding with the Bank of France on the subject of the financial operations of the treasury, or such others as the execution of the *Acte Additionnel* will necessitate."[1] The necessary arrangements were consequently made. It was agreed that the operation should be conducted by the Bank of France, which, together with its branches, should receive the Italian subsidiary coin up to January 2, 1880, when their currency should cease. After that date, the shipments were to be made to Italy, according to the treaty agreement, and the coin held in the meantime by the bank was to be transferred to a new account and held in reserve.

It will be recalled that it had been estimated in the treaty that about 13.9 million francs in Italian subsidiary coin were in circulation in Belgium, Greece, and Switzerland, and that it had been arranged that this sum should be shipped to Italy during the first half of the month of January, 1880. The operation was carried on during the latter part of the year 1879, the coin being received and held by the Bank of France. Not much anxiety was shown by the general public at the decrease in circulation. The subsidiary silver had really become redundant, owing to the influx of the Italian coin. This, indeed, was remarked upon by M. Say,[2] who, in a speech before the *Sénat* during the discussion of the bill to ratify the new monetary treaty, pointed out the redundancy, and showed that, should there be any scarcity of coin after the return of the Italian money, it could easily be overcome, since France still had "a margin of nine million francs" before the exhaustion of the quotas allowed by preceding treaties. Besides this, the increase in population would justify an additional coinage of one million without danger of exceeding the six francs per capita agreed upon.[3] Moreover, a large sum of Italian subsidiary silver had

[1] See Art. 2 of the act. [2] See *London Economist*, 1879, August 2, p. 885.

[3] He further suggested that France should now extend the operation of the treaty to Réunion Island, where Indian rupees had been circulating at an exaggerated value. About 6.5 millions of francs in subsidiary silver could be obtained by recoining the rupees. France still possessed about 1.5 million francs in old pontifical coin which she had been unable to return to Italy. M. Say proposed that these, together with the rupees, making eight millions of francs in all, should be recoined and issued in addition to the ten millions mentioned above.

already been received by the Bank of France and was forming a part of its silver reserve.

In Belgium and Switzerland, too, the process was contemporaneously carried on, but in none of the countries did the amount paid in equal the sums that had been expected. By the early part of January, 1880, the Belgian and Swiss contingents had been received, but they aggregated only about 8,058,654 francs. Greece sent in no coin. Inasmuch, however, as the treaty had mentioned the sum of 13 million francs as the first remittance,[1] although under the supposition that these 13 millions would be no more than the equivalent of the coin circulating in the smaller states, a quantity of the coin collected in France was added, and, in the course of the month of January, 13,503,000 francs were shipped by the bank to the Italian government.[2] Returns now began to come in more rapidly, and it was found that everywhere the estimates had considerably exceeded the actual receipts. Still, by the middle of April, so much had been collected that the bank considered it expedient to carry to a new account the Italian subsidiary money, there being then on hand about 65,818,089.80 francs.[3] The returns were all in by the end of May, and proved much smaller even than had been anticipated.[4] The actual amounts received were about as follows:

Departments	2 francs	1 franc	50 centimes	20 centimes	Total (Francs)
France and Algeria	12,101,318	24,614,757	15,319,905	978,110	53,014,090
Paris	3,885,464	8,882,775	4,777,364	171,773	17,717,377
Total	15,986,782	33,497,532	20,097,269	1,149,883	70,731,467
In the Colonies	....	....	....	....	300,000
In Greece	....	....	....	....	....
In Belgium	1,380,096	2,955,033	2,112,097	54,187	6,501,413
In Switzerland	260,538	587,265	651,288	58,150	1,157,241
Total					79,090,121[5]

[1] See Art. 3 of Section 1 of the *Acte Additionnel.* Consult also *Bulletin de Statistique et de Législation Comparée*, 1879, 2, pp. 3, 4.

[2] Cf. *London Economist*, February 7, 1880, p. 151.

[3] *Ibid.*, 1880, p. 441.

[4] See *Bulletin de Statistique et de Législation Comparée*, 1880, 1, pp. 383, 384. Also *London Economist*, 1880, p. 771.

[5] *Ibid.*, 1880, 1, pp. 383, 384.

One reason for the unexpected smallness of the sums withdrawn was doubtless the fact that many had forgotten, or had not understood, that the coins were to be retired so soon, and were left with considerable quantities of irredeemable subsidiary coin on hand. Some dissatisfaction was consequently expressed at the time the coins ceased to be current.[1] This, however, was without actual justification, inasmuch as notice had been given a sufficiently long time in advance to admit of all holders securing redemption.

It will now be necessary to examine cursorily the outlines of the general monetary question in the countries of the Latin Union at the opening of this period. It will be remembered that, in our discussion of the period just prior to the convention of 1878, it was shown that the favorable situation and balance of trade which had led to a strong flow of gold into the vaults of the Bank of France, and thereby enabled it to terminate successfully the forced circulation of its notes, had contributed to strengthen public feeling in favor of the gold standard. It was then pointed out that the bank's successful resumption in gold had much to do with the strong demand for the absolute and final suspension of silver coinage, not only in France, but in all the countries of the Latin Union as well. The years preceding the conference of 1878 had been years of recovery from the commercial panic of 1873. The stimulus which had been felt by trade and industry was, however, slightly weakened in intensity about the time of the conclusion of the treaty. During 1879 and 1880, the general commercial situation was not such as to encourage waverers in their adherence to gold, and, as is usual in times of depression, some means of shirking obligations was sought. From 1874 to 1878, inclusive, the balance of trade in gold bullion and specie had been heavily in favor of France. The favorable balance was considerably less marked in 1878 than it had been during the years immediately preceding, but the falling off was not great enough, in view of the abundant gold reserve held by the Bank of France, to excite real alarm. It

[1] *London Economist*, January 3, 1880, p. 10.

was not until the year following that the course of events really changed, and a period of some depression set in throughout most of the European countries. In France the turning of the tide was indicated by a reaction in the course of the gold current Whereas in 1878 there had been an inflow of nearly 240 millions of francs more than was sent out of the country, there was, in the course of the year 1879, a net export of about 176 millions, while during the succeeding year France lost no less than 213 millions of francs in gold.[1] Toward the end of 1880, however, a temporary respite in the demand for gold for export was obtained. From September 23 to November 4, about 160 millions were withdrawn. So heavy a drain as this was naturally the cause of considerable alarm, and, as a result, the Bank of France was driven, after trying various expedients, to raise the rate of discount. This measure afforded immediate relief, and it was hoped that the recent difficulties would not be repeated. The hope was not immediately fulfilled. The movement of gold out of France had been due to a familiar combination of circumstances. Bad harvests in Europe, and particularly in France, had coincided with unusually good ones in the United States. The natural result was that France imported from America much larger quantities of cereals than before. On the other hand, the United States had not correspondingly enlarged its demand for French products, and it was consequently necessary for France to settle the balance in gold. This metal was the more eagerly sought by the United States on account of the operations of the treasury and the anxiety over the successful maintenance of specie redemption. The export of gold had not, however, been heavy enough to cause any well-founded anxiety over scarcity of gold in France. Gold, instead of being scarce, was abundant, as was apparent from the heavy net imports of gold into France from 1873 to 1878. As compared with these, the losses after the latter year had been insignificant. Great anxiety was, nevertheless, felt on account of the smallness of the bank's reserve. At first sight, such fears might seem groundless. According to the published

[1] Cf. Appendix to *Final Report of Royal Commission*, etc., 1888, p. 110.

reports the bank had usually a reserve of more than 2200 million francs. In point of fact, however, only a comparatively small portion of this large mass of coin consisted of gold. The larger part was made up chiefly of silver five-franc pieces. This had aroused the anxiety of the bank upon observing the draining away of gold. Only between 700 and 800 millions of gold were on hand in the bank reserve during 1880. The smallness of this reserve was not, as already pointed out, due to any scarcity of gold in France. It had been caused solely by improper management on the part of the bank.[1] In the desire to avoid issuing notes, the paper circulation had been allowed to become inadequate. The notes were, at most times, nearly equal in amount to the specie reserve. This lack of paper naturally forced gold into use as a substitute, and the necessity of keeping so large an amount of it in constant circulation prevented it from accumulating in the reserve of the bank as heretofore; while, on the other hand, silver, being unpopular on account of its unfitness for use as money, accumulated in unusual amounts in the vaults of the bank.

It has already been stated that the rise in the rate of discount had afforded some relief. The partial cessation of the drain of gold was due quite as much to natural causes as to the artificial restraint imposed by a higher rate of interest. Better crop prospects would, in any event, have led to a partial stoppage of the exportation of gold. But the circumstances which had led to the withdrawal of gold were not appreciated by the people. The attempt was made to work upon popular fears arising from the loss of gold by the bank, in order to gain a new hearing for the silver cause. This was rendered easier by a renewal of the gold exports. The relief gained by the bank had proved to be only temporary, and, during November, about 60 millions in gold were shipped to the United States. The fear of a scarcity of gold was rendered more intense when it was learned to what an extent France had purchased foreign stocks which must be paid for in gold.[2] These purchases included Austrian, Hungarian,

[1] See *Économiste Français*, August 21, 1880, pp. 217 *et seq.*

[2] *Économiste Français*, October 16, 1880, p. 465.

Egyptian, Russian, and other stocks, so that gold was flowing out of France, not only to the United States, but also to many parts of Europe. The gold reserve which, in November 1879, had amounted to nearly 800 millions, and had sunk to 684 millions in October 1880, had now fallen even lower, and the prospect was for another fall, perhaps even to 400 or 500 millions, while the bank still refused to increase its issues of 50 and 100-franc notes. These conditions, and the fact that the balance of trade still continued heavily in favor of the United States,[1] furnished some foundation for the fears of a monetary crisis, and it was consequently suggested by bimetallists that fresh issues of silver be authorized as a means of warding off the danger.

The unfavorable commercial situation, and the renewal of public anxiety, had led the more extreme bimetallic advocates to suppose that the opportunity was favorable for renewing the agitation for the rehabilitation of silver. Nevertheless, they could not help recognizing that there was little prospect of obtaining silver legislation from France individually. This ought to have put an end to the hope of obtaining any action whatever, but there were not lacking those who believed that international monetary action in favor of silver might yet be secured.

M. de Soubeyran introduced the matter in the senate, asking the finance minister whether it would not be expedient to call an international conference to consider plans for the rehabilitation of silver. But, before proceeding to study the conference of 1881, in which not only the states of the Latin Union, but also a number of other countries took part, it will be necessary to glance at the course of monetary events in the smaller countries of the Latin Union.

Some account has already been given of the state of affairs in Italy.[2] Proposals for abolishing the *cours forcé* had for some time made but little headway. It was just as France was struggling with the adverse balance of trade and the bimetallic

[1] *Ibid.*, December 4, 1880, p. 705.

[2] See chap. vi., etc.

discontent at home that it began to be rumored that some steps toward resumption were to be taken by Italy. Italy had at last decided to redeem her notes. As early as 1879, the question had been attacked by the minister of finance,[1] but various delays had postponed action on the subject until the following autumn. Late in October 1880 it was announced[2] that a new bill for the abolition of the *cours forcé* was about to be brought up in the Italian parliament. This intensified the fears that had been entertained in Paris regarding the loss of gold. The report was soon confirmed.[3] On November 15, MM. Magliani and Micelli introduced a *projet de loi*.[4] The plan was to float a new loan. The ministers believed it would be unwise to move slowly and rely on an annual surplus of receipts over expenditures. The many grave disorders induced by the *cours forcé* created a necessity for immediate action. There would be needed a sum of 600 millions for redemption of the notes and 44 millions additional to be used in reimbursing the *Banque Nationale* for a loan it had made to the government. It was not until April 8, 1881, that the bill was finally passed. The design was to get 444 millions in gold and 200 millions in silver. In London and Paris, fears that this would be a severe strain upon the monetary supply of the world were expressed. At the same time events in Tunis had brought about a coolness between France and Italy. French banking houses had no wish to participate in the operations connected with the government loan.[5] This left but two groups of financiers available: one at London, the other a syndicate of Italian, German, Belgian, and Dutch banking houses. It was thought best to secure the concurrence of both groups in the large operation to be carried through, and an *entente cordiale* was established between them.[6]

[1] See *Mesures Proposées pour l'Abolition du Cours Forcé.*

[2] *London Economist*, October 23, 1880, p. 1235.

[3] *Ibid.*, November 6, p. 1295.

[4] *Bulletin de Statistique et de Législation Comparée*, December 1880.

[5] ROZENRAAD, *L'Emprunt Italien pour l'Abolition du Cours Forcé*, p. 8.

[6] *Ibid.*, p. 9.

The quantity of *rente* to be placed in the hands of the syndicate was fixed at 729,749,000 lire at 88.5, payment to be made in silver or gold legally current in Italy, or in foreign coin at fixed rates. Delivery was to take place between August 1, 1881, and September 30, 1882. It was decided to issue 365 millions, or more than one half the loan, on July 13 and 14, at 90.[1] The issue was covered one and a half times, but the condition of the Paris market soon rendered it clear that the new *rente* could not long remain at a premium. Fears that 444 millions of gold could not be had were expressed in London. The continuance of the critical situation with reference to New York was the immediate cause of alarm, owing to the heavy balance due the United States. Bad harvests in England, due to the heavy rains and further withdrawals of gold in France, rendered the situation still more serious. What was an additional cause of alarm, American exchange ruled high, and even displayed an upward tendency. Gold went from London and Paris to New York, and there was a general rise in the rate of discount in London, Paris, Brussels, Berlin, and Switzerland. The syndicate was forced to resort to the purchase of Russian gold at Berlin.[2] Several millions were obtained in this way, and, the monetary crisis becoming more intense, the bank raised its rate to 5 per cent. This crushed speculative buying of all securities, and 20-franc pieces flowed into the bank. By November 17, the gold reserve had reached 627 millions, and at the same time better conditions began to prevail. The opportunity was improved by the syndicate, and, at the end of 1881, the Italian treasury had received about 174 millions. Just at this moment the monetary crisis at Paris became slightly more intense. By the beginning of February Italian *rente* had fellen to 83.50. It was not until March 2 that the bank felt able to reduce its rate to 3.5 per cent, the reserve having risen to 860 millions. On May 3 and 4, the remainder of the *rente* was placed upon the market, and, owing to the fact that a strong gold current now began to flow from New York to London, the syndicate felt so much encouraged

[1] *Ibid.*, p. 10. [2] *Ibid.*, p. 13.

that it undertook to deliver 491 millions in gold in place of the 444 millions originally agreed upon, this increase being, of course, compensated by a similar decrease in the amount of silver to be delivered. This, and the circumstance that, despite the Egyptian crisis, Italian *rente* continued firm, and even rose on June 10 to 90.50,[1] renewed public confidence. Several offers for the stock remaining were made, and it was finally sold to an international group of banking houses. France had furnished in all 66 millions of gold, and 70 millions of silver; America, 65 millions of gold; Russia, 25 millions; Germany, 65 millions; Austria, 38 millions; Australia, Denmark, Switzerland, Belgium, and Spain, smaller sums. Thus the gold resumption of Italy was unworthy to cause alarm from the French standpoint. Nevertheless, it was strongly urged as an argument for the renewed coinage of silver.

One feature of the Italian loan was of especial importance to the Latin Union as a whole. It indicated that Italy, which, in recent years, had been the greatest obstacle to the adoption of the gold policy, had now practically come over to the side of Belgium and Switzerland, definitely displaying a preference for gold by redeeming the notes in that metal. This was for the moment overlooked. The Italian loan helped rather than hindered the progress of bimetallism in France. In the other countries of the Latin Union, the bimetallic problem received comparatively little attention during this period. In Belgium and Switzerland, public opinion continued to favor gold, and in the latter especially the increase in commerce and industry strengthened the desire for the complete demonetization of silver. The bimetallic question had not received as much attention in Greece as elsewhere. This was because Greece had for a long time been suffering from the *cours forcé*, and there was but little prospect of a return to specie payments of any sort. The various agreements between the bank and the government[2] had not

[1] *Ibid.*, p. 18.

[2] Those of June 19 and November 7, 1877, January 20, May 18, September 16, 1878, and October 8, 1880. For convenient summaries of these see *Conférence monétaire entre la Belgique, la France, etc.*, 1885, pp. 189–197.

increased the prospect of redemption. All this might have made it clear to the bimetallists that the minor states of the Latin Union felt no desire to recur to a bimetallic policy. Nevertheless, they were not discouraged, and, as already stated, M. de Soubeyran brought up the subject of a monetary conference in the senate.

The proposals of the bimetallists were strongly combated. Parieu, in particular, took up the task of opposing them. In a speech of April 7, in the senate, he undertook to set forth the true status of the monetary question.[1] Going back to the year 1803, he explained the operation of the act of that year down to 1865. He reviewed the working of the Latin monetary treaties and discussed the great bimetallic struggle of the years 1873–1878. He tried to show that action in favor of silver could be expected neither from America nor from the other European states. Even should such action be obtained, it could not be to the advantage of France, but would be far more likely to be advantageous to the United States. Hence, nothing could be gained by France in taking part in such a conference. Still, the conference had been summoned. There was nothing now to do but to go on with it. The only safety would lie in extreme caution concerning the propositions to which France should commit herself. This speech was answered by M. Magnin, the bimetallic minister of finance.[2] He attempted to justify the monetary policy which had been pursued by France and tried to show that the coinage of silver had only been suspended on account of the monetary action of Germany. If Germany and other countries could be induced to adopt a policy more favorable to silver, there would be an opportunity for France to revert to her former policy. He went on to show that already Germany was beginning to find the establishment of her new monetary system too great a burden, England was leaning away from her gold standard, the United States was anxious to take some steps in favor of silver, and

[1] See *Journal Officiel*, 1882, pp. 520, 600, 608; also, *Journal des Économistes*, 1881, i, 2, pp. 106–123.

[2] *Journal Officiel*, 1882, pp. 604–609.

many other countries would like to join in such a conference as was about to take place, for the purpose of raising the price of that metal.

These statements were hardly justified by the outcome of the conference. Meeting in Paris from April 19 to July 8 it did little.[1] For the present purpose it is only necessary to note the attitude taken by the delegates from the countries of the Latin Union. This was absolutely opposed to the free coinage of silver.[2] Not so clear an opinion was expressed regarding the expediency of an international agreement for the purpose of extending and increasing the circulation of silver in limited amounts. Italy and France declared their readiness to take steps in this direction, provided certain other of the more important European states would unite in pursuing the same policy;[3] but, as the obstacles to such an agreement between the states seemed insuperable, the declaration thus made was of little actual importance. For the present, it was clearly stated, nothing could be done. The delegates of the smaller states of the Latin Union[4] were unwilling to disturb the *status quo.* Certain of the French delegates, it is true, like Cernuschi, declared their readiness to return to a policy of national bimetallism, but these were extremists whose arguments received no attention.

The International Conference of 1881 operated powerfully and immediately in depressing the influence of the bimetallists, and correspondingly stimulating that of the partisans of gold. The attitude of the smaller countries of the Latin Union had been unmistakable. Thus the conference had not only done nothing in the interest of silver, but it had made clear the fact that the bimetallic influence was once more on the wane.[5] Beside this, the chance circumstances which had combined to strengthen the cause of bimetallism were now disappearing as rapidly as they

[1] See *Procès-Verbaux, Conférence monétaire internationale*, Paris, 1881.

[2] See the formal statements made by the various countries. *ibid.*, vol. ii. pp. 33, 35, etc., and vol. ii. pp. 138, 172, etc.

[3] See *Ibid.* [4] *Ibid.*, vol. i. pp. 131 *et seq.*

[5] *Économiste Français*, 1881, i. pp. 185 *et seq.*, 217 *et seq.*, and 249 *et seq.*

had made their appearance. Grain prospects were better and gold was once more coming into the Bank of France's reserve. During the latter part of 1881 and the first months of 1882, the rate of discount was maintained at a high point[1] — 5 per cent. — as a measure of prudence, but the heavy purchases of French stocks (which must be paid for in gold) by foreigners gave hope that before long things would once more be in a normal condition. It was seen that after all the most dangerous feature of the situation was not the supposed scarcity of gold, but the immense quantities of silver on hand. There was no danger of an inability to get gold; the only real danger was that of falling to a silver basis. The fear of becoming more and more burdened with silver was again strongly felt by the bank. In the latter part of 1881, it refused to issue its notes in exchange for quantities of silver, and this action aroused much discussion.[2] There was no means of forcing the bank to issue notes against its will, although it might be obliged to receive silver coin on deposit. In order to stimulate the inflow of gold, the bank finally resolved upon a somewhat more generous policy in issuing notes of medium denomination, and as a result of this policy, combined with the favorable circumstances already mentioned, the increase of the reserve at length became rapid. By the end of 1882, it could safely be said that the bank was the largest holder of gold in the world. Nearly 1000 millions of gold were on hand.[3] Crops were good, and it did not seem probable that more gold would go to America in payment for cereals. The advantageous position of the bank may be understood by a comparison of its situation with that of some months previous. December 29, 1881, only 655 millions of gold were on hand, and, although this was much better than the state of affairs a year earlier, when the reserve contained but 564 millions of gold, it was by no means satisfactory. The increase of gold in the bank during 1881 was 91 millions of francs, while during the following year it rose by 289 millions.[4]

[1] *Ibid.*, 1882, p. 611 *et seq.*

[2] *Ibid.*, August 6, 1881, p. 173 *et seq.*

[3] *Ibid.*, October 7, 1882, pp. 446.

[4] *Ibid.*, June 17, 1882, pp. 725 *et seq.*

The time set for the expiration of the Latin Union was now drawing sufficiently near to make it the most important topic of monetary discussion. Special interest was felt in it on account of the threatening attitude of Italy. As already noted, the direct inference to be drawn from the resumption policy of Italy was the new intention of basing the monetary system on gold. This inference was more than justified by facts. Several different circumstances combined to show that Italy would no longer be subservient to the monetary policy of France. As early as February 22, 1881, the chambers, acting in accord with the government, had voted "that after January 1, 1886, that is to say, from the expiration of the monetary treaty of the Latin Union, silver coin bearing devices other than those of the kingdom shall no longer pass current in Italy, and shall not even be received into the public treasuries."[1] This important decision, equivalent, if rigidly enforced, to a practical withdrawal from the Latin Union, attracted little attention at the time and seems to have passed unnoted among the important doings of Italy at this period. It was also ordered in the same law, which provided for the abolition of the *cours forcé*, that henceforward customs dues should be payable only in gold. The resolution to place Italy more nearly on the gold basis, by refusing the acceptance of all foreign silver coin after the expiration of the existing monetary treaty, was reaffirmed May 11, 1883, when the question what course of action should be pursued on the expiration of the monetary treaty was brought up by MM. Minghetti and Luzzatti in the session of that date.[2] A revolution in the bimetallic opinion of Italy seemed to have taken place. The press was violent in its attacks upon the double standard, and the success of the new loan stimulated a desire to introduce the gold standard even before the expiration of the Latin Union. September 22, 1883, it was decreed that at least two thirds of the bank

[1] See CERNUSCHI; *Le Grand Procès de l'Union Latine*, Paris, 1884, pp. 16 *et seq.:* also MARSAULT, *Droit Français de l'Unification des Monnaies et des Conventions monétaires*, Paris, 1881, p. 174 *et seq.*

[2] See CERNUSCHI, *op. cit.*

reserves should consist of gold. Not more than one third should be held in silver.[1] This step came as near placing Italy upon a gold basis as was possible consistently with adherence to the existing monetary treaty. Italy even began to fear that she would be flooded with five-franc pieces, for some attempt was made by speculators to exchange these coins for quantities of Italy's new supply of gold. Moreover, as a natural result of the act prescribing the proportions of gold and silver in the specie reserve of the banks, Italian credit institutions were forced to refuse the deposit of silver in unlimited amounts in exchange for notes. Inasmuch as there was at least 300 million francs in Italian five-franc pieces circulating in France at the moment, it was not unjustly felt that the action of Italy was a practical violation of existing agreements. The Italian attitude naturally seemed ungrateful to France, since large quantities of Italian silver had been guaranteed an unimpeded circulation in France throughout the whole of the *cours forcé*.[2] Thus, a serious misunderstanding already existed within the Latin Union itself. At bottom, this difference, though thinly veiled by the minor subjects of dispute already mentioned, was to be attributed to the clearly understood determination of France to demand redemption by the other states of their silver five-franc pieces in circulation within her territory. In view of the increasing depreciation of silver, this would be an expense of no small importance.[3] Belgium, like Italy, began to fear that redemption would be demanded by France, and although anxious to see the gold policy introduced, was not willing to undertake the redemption of her silver five-franc pieces. This position was evidently identical with that of Italy, which was now trying to exclude, so far as possible, the silver five-franc pieces, hoping that redemption would not be enforced, and that therefore, by keeping out silver, she would ultimately be burdened with so much the less of it.

France was quick to perceive the meaning of the attitude

[1] *Ibid.*, p. 11. [2] *London Economist*, November 10, 1883, p. 1314.

[3] For discussion of this subject see numbers of *La Siécle* for this period.

adopted by her allies. Early in March 1884, her policy was at last formulated by M. Tirard who announced that the union would not be renewed, unless suitable provision should be made for liquidation.[1] This announcement, nevertheless, had apparently no effect on the determination of the smaller countries to persevere in adhering to the gold standard. It was plain that a tacit continuance of the Latin Union would not be tolerated.[2] Either it must reorganized on a new basis, or it must cease to exist.

In order to bring the matter to an issue, Switzerland at length gave notice,[3] in a document addressed to the French government, of her intention to terminate the league at the expiration of the present treaty. This was, of course, a formality, and was designed merely to bring about a fresh meeting of delegates from the different states. Inasmuch as the time of the expiration of the treaty was now drawing so near, it was desirable to act immediately. The four smaller states were accordingly notified, and the time for the conference was set at October 21, 1884.[4] For various reasons, however, the meeting was from time to time postponed, and it was not until July 29, 1885, that the delegates at last gathered at Paris. The period between the announcement of the new meeting and its actual occurrence was one of much debate in economic circles. The probability that the union would be abolished or, if renewed, would be renewed on such terms only as would indicate a very radical alteration of policy, rendered speculation in regard to the possible outcome unusually active. The French and Italian societies of political economy debated the problems connected with the Latin Union with varying results. It was generally admitted that the Latin Union should be renewed, but that the coinage of silver five-franc pieces must continue suspended, and that provision must be made for redemption of those already in

[1] See *Journal Officiél*, 1884, p. 647; and *London Economist*, March 8, 1884, p. 296.

[2] Cf. *Économiste Français*, March 29, 1884, p. 373 *et seq.*

[3] *London Economist*, June 14, 1884, p. 721 etc.

[4] *Économiste Français*, September 20, 1884, p. 363.

circulation. On the question whether, in legal strictness, the redemption of the silver five-franc pieces in gold could be demanded, opinion was sharply divided.[1] In France, however, it was felt that, whether legal or not, redemption would be no more than just and—what was of more importance—it could practically be exacted and enforced.[2] On the other hand, there were some who saw no object to be gained in the redemption of silver five-franc pieces, and were anxious that France should set the example for the Latin Union by returning to the policy of national bimetallism. On April 18, 1885, M. de Soubeyran had addressed to the minister of finance an argument and demand for the resumption of the free coinage of the five-franc piece. There was, of course, no prospect of the adoption of such a measure and its presentation could hardly have been more than an attempt to vindicate the bimetallic principle.[3]

The discussions of the time assisted considerably in clearing up public opinion on the monetary question. It became more and more evident that to refuse the redemption of the silver five-franc pieces would be impossible. Now that the first success of the redemption of the notes was over, Italy saw clearly that it would not be to her interest to provoke a disruption of the Latin Union, or to arouse any anxiety on the part of the Bank of France regarding the ultimate redemption of the large quantity of Italian silver in the vaults of that institution. With Greece and Switzerland there was little prospect of difference, but the more tractable attitude of Italy now began to be offset by an increasing hesitation on the part of Belgium to yield to the demands of France. It will be recalled to how great an extent interchange of coin had been taking place between Belgium and France, and especially how great a quantity of Belgian five-franc pieces had been carried into France. Thus, in case of redemption, the loss to be sustained by Belgium was likely to be very great.

[1] See *Annales de la Société de l'Économie Politique*, 1884–5; also *Économiste Français*, May 9, 1885, p. 583.

[2] *Économiste Français*, June 27, 1885, p. 815.

[3] *Ibid.*, April 18, 1885, p. 494; also *Journal Officiel*, 1885, pp. 315 and 448–450.

Moreover, the demand for redemption was particularly offensive because, prior to the suspension of silver coinage, the Belgian mint had been used by speculators who effected coinages of silver there, after the closing of the other mints of the Union, and with the coin so obtained displaced gold in France. No profit had been derived from these speculative issues by Belgium. Consequently, it was argued, no loss upon them should be borne by the state. Even in Belgium, opinion was divided.[1] Nevertheless it was certain that France would somehow be able to enforce the claim for redemption. Whether or not this would actually be done was now to be decided.

[1] See *Économiste Français*, July 18, 1885, pp. 67 *et seq.*, pp. 221 *et seq.* *Écho du Parlement*, 1885, August and September; also *Moniteur des Interêts Materiels*, Brussels, for same period.

CHAPTER XVIII.

THE TREATY OF 1885.

The treaty of 1885 is, for several reasons, an anomaly in the history of the Latin Union. As already many times noted, the discussion of the bimetallic problem had taken place outside the regular conferences rather than within them. The various governments had selected their policy, instructed their delegates, and the conference was a mere struggle to force the acceptance of certain conditions upon the league as a whole.

In 1885, however, some of the difficulties in Italy had been overcome and sound finance was, for the most part, the rule throughout the union. Moreover, the overwhelming and continued fall in the value of silver had set the question of the adoption of bimetallism at rest. These facts allowed, and even demanded, a closer attention to the monetary question, as distinct from the mere problem of the rehabilitation of silver. In addition to this, the fact that such a rehabilitation was now out of the question, required special recognition. Besides, France was now determined to bring the question of redemption to an issue, and this determination, coinciding as it did with the improved financial and economic conditions, seems to have led the states to believe that the time was opportune for a definite declaration on the silver question.

It was noted in a former chapter that the Treaty of 1878 may be regarded as a debate upon the monetary condition of Italy. It is similarly convenient to regard that of 1885 as a discussion of the relation of Belgium to the Latin Union as a whole. That is to say, the manner in which the question of redemption came up, threw the deliberations into the form of such a discussion. It goes without saying that the crucial point at issue was the question of redemption, and it is due to the fact that Belgium took the leading part in opposing

redemption that she became the most prominent figure in the convention.

It will be recalled that, when discussing the treaty of 1865, the possibility of a dispute like that over the redemption of the five-franc piece was mentioned as a cardinal weakness of the treaty. As we have seen, the Treaty of 1865 did not adopt bimetallism. It continued the fundamental principle of the law of 1803. Of course, so long as this act affected in its operation only a single country, there could be no outgrowth of problems connected with international redemption. But with the foundation of a league like the Latin Union, guaranteeing to its members mutual reception of one another's coins, it is clear that an entirely different issue was put. This issue was shirked by the Treaty of 1865, inasmuch as it copied the Act of 1803. Since, however, it established a ratio such as to ensure for the time being the maintenance of a gold standard of payments, the tacit assumption, even at that early date, was that, should redemption take place, it should be effected in gold. This assumption amounted to an understanding. Furthermore, in taking it upon themselves at the Conference of 1878 not only to insist upon the redemption of the subsidiary coin according to treaty agreement, but also to demand the withdrawal of the notes and the ultimate substitution of coin therefor, the united countries had established a precedent that was of immense weight in 1885. Belgium was as active as any of the allies in forcing upon Italy the acceptance of the new conditions, and demands were openly made for the redemption of the five-franc pieces; nor was the right to such redemption anywhere disallowed. Belgium seems in 1878–9 to have forgotten her own situation with reference to France, and in her eagerness to bring Italy to the acceptance of the offered terms, she neglected the possibility of analogous French demands in the near future.

At the opening of the Conference of 1885 there were five possible modes of procedure:

1. To make no attempt at redemption but allow each country to retain the coin it possessed.

2. To divide the aggregate amount of silver held by the union into five equal parts, assigning one part to each country for redemption.

3. To demonetize silver and throw the loss upon the holders of coin.

4. To assign each state for redemption a quota of coin proportioned to its population as compared with that of the Latin Union as a whole.

5. To require of each state the redemption of its own issues of coin.

All of these modes of procedure were suggested in connection with the debates of 1885, and all, therefore, demand consideration. To enjoin upon each country involved the necessity of retaining in its circulation the coin already on hand, without possibility of securing its redemption, would have thrown a mass of depreciated metal upon countries which had used every precaution to avoid the possibility of such an occurrence. It was clearly out of the question to attempt a policy of this sort. The second proposed method requires no discussion. It was clearly absurd, and it would have been impossible to enforce it by any peaceful means. Again, to demonetize silver, without providing for redemption, would have been merely a measure of repudiation that could on no grounds have been justified. No such measure would have been tolerated by the great credit institutions like the Bank of France, into whose treasuries the five-franc pieces had been forced in large quantities by public dislike. The fourth and fifth ways of resolving the difficulty were the only feasible policies and involved the whole question at issue, the difference being merely that between requiring each country to bear the consequences of its own acts and demanding that the burden be divided proportionally between the several states. Should the Latin Union act as a homogeneous body and distribute the burden of redemption equally upon all the members of its population, or should it rather act as a complex of national units and demand that each country be responsible for its own coinages? This, briefly, was the whole of the problem. It may

seem, at first sight, quite plausible that the burden should be evenly distributed thoughout the states involved. Closer investigation, however, shows that this mode of redemption would have been palpably unjust. The Latin Union had always been of a negative rather than of a positive nature. It had been merely regulative. It had simply provided for a uniform fineness and weight of the coins of the different countries, but had not even prohibited issues of paper or prescribed rules for the government of bank issues, nor had it ever dictated the amount of coin which should be issued. The limitation of the coinage of silver had been merely intended as a means of protecting the members of the union from one another's overissues. Inasmuch as coinage had been left to the will of the individual states, it was clearly just that they should individually redeem the coin they had issued.

It will be recalled that, as explained in an earlier chapter, Switzerland had little to lose, no matter what the decision of the union upon the question of redemption might be. On the other hand, other reasons than those arising from her relation to the allied countries compelled Italy to look forward to the probability of an ultimate redemption of her silver. At the same time, Belgium was the heaviest holder of French silver, while the foreign silver held by France was largely Belgian. All this explains why Belgium was practically placed alone in an attitude of determined opposition to France.

Inasmuch as Belgium was unwilling to accept the duty of redeeming her coin, there was nothing left for her but to advocate the maintenance of the *status quo*, with retention of the present holdings of silver by each country concerned. This policy was mainly supported by M. Pirmez, the chief of the Belgian delegation. At the third session of the conference, July 23, 1884, he opened the debate upon the much vexed question of redemption *à propos* of Art. 15 of the preliminary treaty-draft prepared by a committee to whom this work had been intrusted as a means of bringing up in regular order the various problems to be discussed.

In general his presentation of the case against redemption rested on a few fundamental contentions. M. Pirmez argued[1] that since the Act of 1865 had made no provision for redemption of the coins of one metal in the coins of the other it was, therefore, no more right to demand redemption of silver in gold than the reverse. He elaborately reviewed the history of the Latin Union, and sought to show that nothing yet done by the Latin Union as a whole, with reference to redemption by countries other than Belgium, could be regarded as applicable to the question what policy should be pursued toward Belgium. He urged that the coinage had been a mere industrial process, imposing no obligation upon the government save that of accurately ascertaining the weight of the coin stamped, and involving no responsibility of ultimate redemption.[2] He concurred with Cernuschi in declaring that "metallic money is automatic in its issue. The limit of issue is fixed by no one."[3] Wherever it was cheapest and most convenient, there, he maintained, coinage might most advantageously be carried on by any nation. But, in this instance, the nation that effected the coinage must, by the nature of the case, be absolved from any responsibility as to the future value of the coin.

This, briefly, was the presentation of the case for Belgium. M. Pirmez demanded that, for the present, things should remain *in statu quo*. The Latin Union had been a highly beneficial organization. To disrupt it would be productive of great inconvenience; and disruption, he argued, would be the consequence of insistence upon the liquidation clause. An outlet for the five-franc pieces would soon be provided in Italy by the withdrawal of 350 millions of small notes there. Moreover, an ultimate return to "pure bimetallism" was hinted at.

To all these contentions replies were made by the opposing speakers. An Italian delegate showed[4] that M. Pirmez confused past and present conditions. Whatever the Latin Union

[1] *Conférence monétaire entre la Belgique, la France, l'Italie, la Grèce, et la Suisse. Procès-Verbaux*, 1885, pp. 314 *et seq.*

[2] *Ibid.*, p. 45. [3] *Ibid.* [4] *Ibid.*, pp. 50 *et seq.*

might have been in its inception, it certainly no longer preserved a bimetallic character. The transformation had for years been an accomplished fact. It was now no more appropriate to argue from the treaty of 1865 than from the law of 1803 itself. The enactments of 1865 had been superseded by the later decisions of the Latin Union. Exchange was now based on gold, and transactions were carried on by reference to that metal. The union was no longer in any sense a bimetallic organization.

Nor was it difficult in investigating the history of the Latin Union to find fully as many instances of expressions tending to invalidate, as of those tending to sustain, the statement that bimetallism had been abandoned only temporarily.[1]

It was clearly shown that, on many different occasions, France had plainly declared her intention of demanding redemption by the several states.[2]

The argument of the irresponsibility of Belgium with reference to her issues of coin was either flatly denied or passed over in silence, but it was shown that the issues of silver five-franc pieces since the real beginning of the fall in the value of silver (1867) had exceeded those antedating that event by 205 millions, or 40 per cent. of the total.[3] It was therefore urged that as Belgium could never refuse to accept these coins—now aggregating so large an amount—from her citizens, and since these latter would be obliged to accept them in payment of debts due them abroad, it would be well to allow the insertion of the clause providing for redemption instead of forcing on a crisis, with the possibility of destroying the union. Should the omission of the clause be insisted upon, the very thing that was to be apprehended—the almost immediate payment of a large balance—would be directly brought about. On the other hand, by admitting the stipulation among the provisions of the treaty, Belgium, would in all probability, meet with no trouble in continuing her coinage system upon the old basis, and the redemption period

[1] *Ibid.*, pp. 63–65.

[2] See *Procès-Verbaux* for the Conference of 1878, pp. 30–32, 46, 56, and 66.

[3] *Procès-Verbaux*, 1885, *ante cit.*, p. 59.

would be so extended, and the conditions for it so modified, that no further difficulty would be encountered.

This point of view was presented in an especially forcible way by M. Lardy, a Swiss delegate, who ridiculed M. Pirmez' remarks on the consistency of the policy pursued by Belgium in keeping her mints open to silver. There existed no natural right to the free coinage of silver. Moreover, the statement of the Belgian representative, that it was inopportune to raise the question of liquidation, since it was generally desired to continue the union, reflected upon Begium herself, for it was her own attitude which had at this particular moment forced the question to the front.

M. Ellena, the Italian representative, expressed much the same opinion.[1] The contention of M. Pirmez, concerning the irresponsibility of the government, he regarded as a mere quibble;[2] and he showed that, inasmuch as redemption in some form could not be avoided, it was much to Belgium's interest that she admit the liquidation clause in a formal way.

These arguments found little favor with the Belgian delegates. The same charges and demands that they had made on former occasions were repeated. After two days of debate it was found necessary to close the discussion. In summing up, M. Duclerc, the president, attempted to justify the demands of France and to show that their acceptance was a necessity. France, said he, had, throughout a period of years, displayed great consideration for the desires and wishes of the other countries, and had not allowed herself to be hindered by the demands of self-interest from doing justice.[3] Only by virtue of special enactments had the five-franc pieces been able to circulate. It was largely owing to the efforts of France that their value had been maintained. France was the heaviest holder of them, and as such, her demands were entitled to the greatest consideration. M. Duclerc then laid before the delegates the formal demands of France. These must be accepted before France could consent to a renewal of the league upon any terms.[4]

[1] *Ibid.*, p. 76. [2] *Ibid.*, p. 78. [3] Cf. *ibid.*, p. 83–85. [4] *Ibid.*, p. 85.

The first and primary demand was, of course, a straightforward agreement on the part of each country to accept the obligation of redeeming the five-franc pieces. But France went much farther even than this. She undertook to dictate the method and time of redemption. Within a year from the expiration of the proposed treaty the several countries were to have mutually exchanged the foreign coins they each held, and for the purpose of properly conducting this operation regular books were to be opened at specified places, the expense of returning the coin to be charged to the state making the shipment. Secondly, by October 1, of the year following the expiration of the treaty, all foreign coin, of whatever description, circulating within the limits of each state was to be withdrawn by that state and to be deprived of its legal-tender quality. After October 1, silver coins were no longer to be received in international payments. By January 25, next following, account of the balances of foreign coin yet held in the various treasuries was to be rendered, and debtor states were, as soon as possible thereafter, to begin the redemption of their coin, paying for it in gold or bills of exchange at quarterly intervals, over a period not to exceed two years in length. Interest at the rate of 1.5 per cent. was also to be paid upon the unsettled balances.

To this series of demands M. Pirmez declined to make further reply. He referred the whole matter to the Belgian government, and at the next session presented, as his ultimatum, a protest against the ideas expressed by the representatives of the other allied countries and a refusal to accede to the demands of France.[1] He further requested that the existing condition of things might be continued for one year, in order that time might be afforded for a consideration of the situation, hinting that perhaps by the expiration of that time Belgium might see the way clear to concessions. The smaller states, however, joined readily with France,[2] in refusing to yield to Belgium's wish for a longer continuance of the treaty of 1878, nor did the renewed demand for the omission of the liquidation clause find more favor.

[1] *Ibid.*, pp. 89–93. [2] *Ibid.*, pp. 94–96.

Inasmuch as it was now perfectly clear that the original demands could not be admitted to consideration, it was decided by Belgium to attempt to secure their acceptance in a modified form.[1] The Belgian delegates offered to sign a treaty, providing that, in case of a dissolution of the union, no obstacles should be placed in the way of a return of the five-franc pieces through the usual commercial methods of exchange by any of the contracting states.

Not even this agreement, however, met the wishes of France. The determined and long-continued opposition now provoked M. Pirmez to abandon his former moderation of expression. He declared that his country had reason to regard itself as "the victim of the Latin Union,"[2] and announced his intention of withdrawing from the deliberations. At the next meeting, neither he nor his colleagues appeared, and it was evident that the new treaty must be concluded without the concurrence of Belgium. It was therefore decided to formulate a provisional arrangement and to adjourn temporarily, in order to afford time for some sort of conciliation. But, before proceeding to study the terms of the new treaty, it will be necessary to consider the debates on some of the important points involved.

Aside from the question of liquidation, the principal problem to be considered was that of the proposed retirement of some of the silver five-franc pieces. It was, besides, desired by many that the Italian five-franc notes should be retired. This was based upon the consideration which dictated a retirement of some of the silver five-franc pieces.

The policy which seemed most expedient was thus outlined by the Swiss delegates:

1. Maintenance of the suspension of silver coinage;
2. Sale of silver coin;
3. Retirement of Italian five-franc notes.[3]

It was thought that the retirement of 340 millions of five-franc notes in Italy would create a monetary vacuum into which, it was not unreasonably hoped, some of the five-franc pieces would

[1] *Ibid.*, pp. 100–105. [2] *Ibid.*, p. 104. [3] *Ibid.*, p. 16.

rush, thus tending to relieve the pressure in other parts of the union.

There was yet another problem connected with the vexed question of the management of the silver five-franc pieces: it was that of the quotas of subsidiary coin. In many parts of Switzerland, it was felt that a quota averaging 20 francs per capita instead of the present six francs would be more nearly correspondent to the needs of the population.[1] Switzerland complained bitterly of the superabundance of five-franc pieces, and the scarcity of small coin from which she was suffering,[2] and Italy was no less anxious that her own quota should be enlarged by at least from 8 to 12 millions, on account of her increased population.[3]

It will now be necessary to examine carefully the draft of the new treaty as finally drawn up without the concurrence of Belgium, prior to adjournment; and to which it was intended to force Belgium's assent, should she again desire to become a member of the Latin Union. By the preamble of the new act[4] it was explained that the necessity of modifying and completing the old treaty had determined the powers to conclude an altogether new one. Art. 1 constituted the powers a union, as in 1865. Art. 2 specified the gold coins to be struck, on essentially the same conditions as in former years. Notwithstanding the fact that it had been decided not to allow the further coinage of the gold five-franc pieces, that coin was nevertheless retained in the list, but by Sec. 1 of Art. 8 its coinage was prohibited. So, likewise, Art. 3 regulated the conditions of the coinage of silver five-franc pieces, but, by the second section of Art. 8, their coinage also was prohibited, although it was specified that any state might, upon redeeming on demand such of its coins as were held by the other states, resume the coinage of silver five-franc pieces. Switzerland, however, was permitted to recoin her old issues.

Art. 3 furthermore practically reduced the silver five-franc piece to the condition of a subsidiary coin. It provided for its

[1] *Ibid.*, p. 22. [2] *Ibid.*, pp. 22–25. [3] *Ibid.*, p. 25. [4] See Appendix I.

redemption when reduced below a certain weight, and guaranteed its reception into the Bank of France during such time as the treaty should continue to possess its binding force. Art. 4 prescribed much the same regulations as formerly for the subsidiary coin, but by Art. 9 the quotas were somewhat raised. France was allowed 256 millions, Greece 25, Italy 182, and Switzerland 19 millions, with extra quotas of 20 millions for Italy, eight millions for France, and six millions for Switzerland, for recoinage purposes. The provisions of the old treaty regarding redemption, legal-tender quality, etc., of the subsidiary coins, remained essentially unaltered. The terms of admission to the union were maintained as before.

By Art. 10, France undertook the work of carrying on a general bureau of information on monetary subjects of interest to the allied states. Art. 13 provided that the duration of the treaty should be from January 1, 1886, to January 1, 1891. Art. 14 contained the most important provision of the treaty. It stipulated that, in case of the renunciation of the treaty, the several contracting powers should redeem their silver five-franc pieces. So many questions as to when and how this provision was to be fulfilled had arisen, that it was held expedient to devote a special instrument to its elucidation.[1] The treaty proper was therefore succeeded by an *Arrangement Relatif.* This important document has never yet been called into operation, but it has lost none of its binding force, and may at any time be rendered effective. It is the heavy responsibilities forced by this document upon the smaller states that now bind them so strongly to France.

It first provided that an exchange of five-franc pieces, so far as they were held in equal amounts by the several states, should be effected during the year succeeding the expiration of the treaty. For the conduct of this operation books were to be opened at certain specified places. It was provided that the five-franc pieces were all to be withdrawn before October 1 of the year following the expiration, while, by January 15 immediately

[1] See Appendix I.

following, the accounts were to be audited, and each state informed of the balance of five-franc pieces held at its disposal, if any. Art. 4 specified the ways and means of payment. Gold bills of exchange on the creditor state, silver five-franc pieces of that state, or bank notes there having legal circulation, might be offered in payment. Payments were to be made quarterly, during an unspecified number of years, until the account was settled, but any or all of these payments might be anticipated. Interest from January 15 was also to be added.

For Switzerland, however, special provisions were made. These were intended to meet the difficulty that, as Switzerland had issued so little coin of her own, the retirement of the French and Italian five-franc pieces, which constituted so large a part of the actual circulation, would lead to a serious scarcity of coin.[1] It was arranged that the French and Greek five-franc pieces, retired in Switzerland, should be shipped direct to the French government, which was to make payment at sight either in Swiss silver five-franc pieces or in gold ten-franc pieces, provided only that the amount of each shipment should not be less than one, nor more than ten, millions of francs, nor should the total amount to be paid in gold exceed the sum of 60 million francs. With reference to Italy, it was agreed that redemption of her coin circulating in Switzerland should be effected in the same manner, save that Italy might, at will, make use of sight bills on the financial centers of Switzerland to the amount of each shipment; none of the shipments to exceed two millions, or fall below 500,000 francs. The total sum to be paid by Italy was not to exceed 20 millions in gold and silver, and 10 millions in bills.

So far the attempt to reach an agreement had failed. For, unless some accommodation with Belgium were arrived at before the end of the year, the result would be practical disruption of the eague. Although France and her allies had set themselves to effect a reorganization, it was improbable that, without Belgium, the league would meet even with the measure of success it had

[1] See *Procès-Verbaux*, 1885, *loc. cit.*, pp. 127 *et. seq.*

so far enjoyed. It may very naturally be asked why Belgium should have desired to break up the league since, as has been shown, it was unavoidable that redemption, in some form, should be effected by her. To this query it is impossible to give a definite reply. It seems, however, as if Belgium's desire for a gold standard, which had always been strong, had induced her to adopt the policy which she pursued, in order to afford an opportunity for leaving the union and reorganizing her monetary system on the gold basis.[1] There could, in fact, be no doubt that all the smaller countries were anxious to see the single gold standard introduced. In the question of redemption France was by far more deeply interested than any of her allies, inasmuch as she was the only very heavy holder of foreign coin. And as France had so far been able to maintain the silver five-franc pieces at par, and since it would be an expensive process to retire the large amounts of these coins that she had struck, she was not particularly anxious to accede to the wishes of the smaller countries regarding the pure gold standard. Of the allies Belgium was, financially and industrially, by far the strongest. It was possibly owing to the wishes of some of her statesmen, who were anxious to see the gold standard introduced and who had no fears of the consequences which might result from a break with the union, that Belgium had adopted her present policy, partly, no doubt, in the belief that it would be easier to redeem her coin when returned by the ordinary processes of exchange; but chiefly, it seems likely, on account of her desire to grasp the opportunity for breaking with the Latin Union.

It must not be understood from this statement that Belgian statesmen and publicists were agreed upon this course of action. As will later be seen, such was by no means the case. It was, however, believed by very many that the injury to which Belgium would thus be subjected would be no more than she could endure, and that it would be well worth while to incur these dangers for the sake of passing definitely to the régime of the single standard.

[1] See *Économiste Français*, 1885, 2, pp. 221 *et. seq.*

In the meantime, the controversy was carried on both in the press and the legislative assemblies. As early as July 16, the Paris *Débats* had published an article[1] in which it was announced that France would demand the insertion of the clause of liquidation, and it was confidently predicted that the economic and financial interests of Belgium would be sufficiently powerful to prevent her from breaking with France. This was also the belief of many Belgian journals, although it was pointed out by these latter that, in case matters should really come to a breach, the Bank of France would find itself saddled with all the Belgian coin which had collected there and would encounter no little difficulty in forcing it back upon Belgium.[2] The English press was frequently favorable to Belgium's position. A letter to the *London Economist*[3] brought forward the old argument that Belgium had been used as a coining agency by the other powers for their own purposes and consequently should not be taxed with the loss on the coin.

These arguments were answered by M. Chailley,[4] who maintained that it was absurd to suppose that Belgium had in any way been called upon to coin money for French needs. The fact that more easy conditions had been offered at Brussels than elsewhere was Belgium's own fault. It was during this discussion that the question came up in the Belgian *Chambre des Représentants*. On August 11, the Belgian delegates to the monetary conference undertook to explain to the chamber their action in withdrawing from the deliberations. The explanations were not new nor did they prove very satisfactory,[5] and the stereotyped line of argument employed was already beginning to lose weight. It was calculated that considerably over 600 million francs in Belgian five-franc pieces were held in France, and it was feared that, as soon as the treaty of 1878 should come to an end, the French government, feeling the necessity of some action in

[1] See the *Paris Débats* for July 16, 1885.

[2] See *London Economist*, 1885, p. 96. [3] *Ibid*, 1885, p. 910.

[4] *Journal des Économistes*, 1885, ii. 1, p. 253 *et seq.*

[5] Cf. *London Economist*, 1885, p. 1024.

order to protect the holders of the coins from the loss arising from depreciation, would collect the five-franc pieces and, after depositing them in the Bank of Belgium, draw bills of exchange thereon, which the bank would have to dispose of. Although it was said by some, in order to allay these fears, that the bank could thereupon pay these bills in silver, thus simply returning the coin, it was perfectly clear that no such way of getting out of the difficulty would be feasible.

However, it was still hoped that an accommodation might be reached, and some signs of weakening were discernible among French publicists. In a long article in the *Économiste Français*,[1] M. Leroy-Beaulieu admitted that, from the strict point of view of pure monetary theory, the contention of Belgium that the five-franc pieces ought not to be redeemed was probably correct; but he argued that practically it was necessary, as well as in accord with recognized monetary precedents, that Belgium should effect the desired redemption.

The persistence of France in the determination to enforce redemption now led to apparent concession on the part of the Belgian government. On September 19, telegrams were even received in Paris to the effect that M. Beernaert, the Belgian minister of finance, had indicated a willingness to accept the liquidation clause, on condition that the union should be continued up to 1895.[2] M. Pirmez himself admitted "that the termination of the union would give rise to serious difficulties."[3] No official communications, however, were published and, as it drew near the time for the next meeting of the delegates, it seemed probable that the Belgian delegates would again absent themselves from the meeting.

In order to be able to state with some approach to exactness the extent to which she was a holder of foreign coin, France determined to carry out an investigation of the facts of her circulation after the methods of the similar investigations of 1869

[1] *Économiste Français*, August 22, 1885, 2, pp. 221 *et seq.*

[2] *Économiste Français*, 1885, 2, p. 361. This information was not official.

[3] *London Economist*, 1885, p. 999.

and 1878. The result showed that, of the total silver circulation, about 12.5 per cent. was Belgian, while the percentage of Italian silver was even larger (about 15.3 per cent.[1]), and although the proportion was slightly less than in 1878, it was still large enough to be of very great consequence. This result rendered France the more anxious that her rights should be protected.

On October 21, the day before the conference was to assemble, the Belgian government finally addressed to the French government a new proposal. It was of an ambiguous character and merely provided that "the state which shall withdraw from the union shall bear, so far as concerns it, the expense of liquidation, on the conditions prescribed by France."[2] To this, the reply was returned that "the Government of the Republic does not regard the proposal thus formulated as acceptable, but it will nevertheless not fail to present it to the Conference."[3]

On the following day, the conference once more addressed itself to the task before it. Several subjects still remained to be discussed, among the most important being the question of guaranteeing the legal-tender quality of the issues of five-franc pieces and assuring their reception by the credit institution and others. In the preceding meetings, a debate had arisen upon this point, France desiring to stipulate that, in case the legal-tender quality should be taken from the five-franc piece by Italy or Switzerland, during the life of the engagement undertaken by the bank, this engagement should lapse; it being understood that the treaty should continue, provided a satisfactory substitute should be offered for the legal tender quality and unanimously agreed to by all the other powers. Italy, on the contrary, was anxious to eliminate some of these provisions. She desired a provision to the effect that, if the banks of issue of Italy and Switzerland should agree to receive the five-franc pieces, the Bank of France should likewise be held to the same obligation.

France was not disposed to insist upon any of these points,

[1] *Bulletin de Statistique et de Législation Comparée*, 1885, 2, pp. 163–188.

[2] *Procès-Verbaux*, 1885, *ante cit.*, p. 179. [3] *Ibid.*

and the Italian representatives were satisfied, by the concession of their demands, and the provision that, two months before the expiration of the treaty, notice should be given by the Bank of France, if it intended to discontinue its relations with the union. If no such notice should be given, its obligations would be tacitly renewed, and the verbal assurance that this would be the case was given.

The terms upon which free coinage might be resumed were also discussed at considerable length. As matters now stood, no power could resume free coinage without the consent of the others; and, while it was wholly improbable that free coinage would again be permitted, nevertheless it was desired by France that this provision should be modified. Furthermore, Greece and Switzerland were allowed, by a declaration annexed to the treaty, some latitude beyond the treaty provisions. This instrument stipulated that free coinage should not be resumed in Greece during the *cours forcé*, but might be so after resumption had taken place, provided that an understanding with France and Italy were first reached. The document also subordinated the operation of Art. 12 of the treaty, which regulated the status of foreign coin, to the Swiss banking legislation. Also, the obligations of the Bank of France were explained by two letters which were annexed to the treaty and really formed a part of it.

The proposition which had been made by Belgium on October 21, and which we characterized as ambiguous, had been explained, at the request of the representatives, by a letter of the Belgian government dated October 23. Under this new light it had been discussed[1] and found to differ little in principle from the earlier propositions. It had, therefore, been rejected and in order to define the relations of the union to Belgium, a protocol was added to the treaty in which the situation was explained. By this document, it was agreed that, in case of Belgium's non-adherence to the treaty, three months should be the maximum time during which the Belgian five-franc pieces could

[1] *Procès-Verbaux*, 1885, *ante cit.*, pp. 200 *et seq.*

be received into the public treasuries and banks of issue in the other states; while, should any arrangement for redemption be made with the Belgian government by any of the allied governments, this arrangement must be submitted to the other countries for approval. After three months, the Belgian five-franc pieces would be subject to the operation of the second section of Art. 12, which shut out coins of all countries foreign to the union from the banks and treasuries. It is needless to say that these provisions were practically dictated by France.

It now remained to see what would be the answer of Belgium to this declaration of monetary war. The treaty and accompanying documents were at once sent by France to the Belgian ministry.[1] On receipt of this communication Belgium replied by sending M. Pirmez again to Paris to attempt to arrive at an understanding.[2] The treaty had been signed on November 6. On the 15th, it was announced to the members, who were still waiting in Paris for the purpose of debating the treaty with the Belgian envoy, that the latter preferred not to enter the conference again.[3] M. Pirmez had, in fact, understanding that France was his real opponent, wisely indicated a desire to treat with the finance minister privately. The conference, therefore, broke up, and for nearly a month longer the arguments were renewed between Belgium and France as representative and arbiter of the league. The necessity of mutual concessions was felt and on the 12th of the succeeding month—December—an *Acte Additionnel* was signed at Paris by representatives of all the powers. France met Belgium half-way. By Art. 4 of the Act, it was agreed that in case of a dissolution of the union, should France find herself the holder of a balance of Belgian five-franc pieces, one half of this balance should be directly redeemed by Belgium on the same conditions of redemption as had been applied in the case of the powers, while the remaining half should be returned by France through the usual channels of exchange, Belgium agreeing, for the space of five years, to pass no law which would inure to the disadvantage of this

[1] *Ibid.*, p. 287. [2] *Ibid.*, pp. 285 286. [3] *Ibid.*, p. 289.

arrangement.[1] It was also agreed that in case Belgium should be the creditor state, she should have the benefit of the same dispositions as had now been exacted from her by France, and it was further guaranteed by Belgium that the balance due should not exceed the sum of two million francs and that, in case of an excess above this sum, such excess should be directly redeemed.

In order to leave no room for ill-feeling, the same arrangement was, by Art. 5, extended to Italy and, by a *Déclaration*, to Greece as well. In the case of Switzerland, Belgium was to liquidate the whole balance directly, up to the sum of six million francs, and it was specified that in all cases the national Bank of Belgium should receive the five-franc pieces of the allied countries on conditions identical with those upon which they received the Belgian. Further, the Belgian quota of fractional coin was fixed at 35.8 millions, besides a possible sum of five millions to be obtained by recoinage of old five-franc pieces.

On the day when the treaty as thus amended was signed, the *projet de loi*[2] for its ratification was brought up in the French Chamber of Deputies.[3] By December 29, it had been referred, reported upon, debated, and had become a law. A decree of the 30th[4] ordered its promulgation.

By vote of the parliament and a royal decree dated December 30, a similar measure was passed in Belgium.[5] The same law also contained clauses regulating the payment of debts in francs, and abrogating the law of March 31, 1879. Analogous acts were quickly carried through the legislative assemblies in Italy, Switzerland,[6] and Greece. Thus Belgium again passed

[1] For original text of act see *Bulletin de Statistique et de Législation Comparée*, 1885, 2, p. 650; also Appendix I.

[2] See *Bulletin de Statistique, ante cit.*, 1886, 1, p. 1.

[3] *Documents Parlementaires*, 1885, No. 219.

[4] *Journal Officiel*, December 31, 1885.

[5] *Bulletin de Statistique, ante cit.*, 1886, 1, p. 172.

[6] In Switzerland the act was not passed without some discussion. This was largely the work of a few members. The bill finally passed the Nationalrath on the 19th, and the Standerath, by a unanimous vote, on December 21. (See BURCKHARDT-BISCHOFF, *Die Lateinische Münzkonvention*, u. s. w., 1886, p. 60.)

under the domination of France and the Latin Union. Many writers have stigmatized the treaty of 1885 as unjust to Belgium.[1] Such a view hardly seems warrantable. Nor would it be more accurate to justify the provisions of the treaty on the ground that Belgium had realized large sums from her silver coinage.[2] The arguments of Haupt, Allard, and others against Belgium, while often ingenious, are for the most part fallacious. It must not be supposed that Belgium had been wilfully more derelict than her allies, or that she had allowed a larger coinage for the sake of a greater profit. But, here as elsewhere, it was necessary to regard ignorance or imprudence as no excuse for economic errors. It was impossible that Belgium should evade the consequences of mistakes already made, and it must be admitted that, in forcing upon Belgium the treaty of 1885, France adopted a course which finds full economic justification. Undoubtedly there was some support for the standpoint taken by Belgium, if viewed as a question of pure monetary theory. Practically, however, it was beyond question true that, as France contended, each country ought to redeem its coin, in order primarily to relieve innocent holders of the loss which would arise from depreciation.[3] Now that definite provision had been made for the future much of the uneasiness previously felt could be set at rest.

[1] See especially BAMBERGER, *Die Schicksale der Lateinischen Münzbundes.*

[2] See a letter by O. HAUPT, *London Economist*, 1885, pp. 1320 *et seq.* Belgium had realized profit only since the introduction of the quota system. The other countries had done the same. Moreover, the amount so coined was small. The charge, therefore, had little force.

[3] Cf. BURCKHARDT-BISCHOFF, in *Die Lateinische Münzkonvention*, u. s. w., p. 53. "Die entgegenstehenden Standpunkte in Bezug auf die Liquidationsclausel haben beide ihre Berechtigung, und im Entscheid vom reinen rechtlichen Gesichtspunkt wäre sicher schwierig zu fällen, u. s. w."

CHAPTER XIX.

THE PERIOD OF COMPULSORY REDEMPTION AND THE CONFERENCE OF 1893.

The ratification of the treaty of 1885 really meant the abrogation of the Latin Union and the substitution of a new monetary league in its place. The different countries now found themselves bound to a policy of gold redemption, both externally and internally, and it was unlikely that the promise thus mutually given by the treaty of 1885 would be rendered obsolete by any general international agreement to coin silver, either freely or in specified large quantities. It was seen that a definite understanding of the position of the Latin Union was needed, and the treaty of 1885 was very favorably received. It placed the union on a new and more secure basis, and even in Belgium it was felt that the terms of the new agreement were no more unfavorable than must, in almost any event, have been accepted.

It was plain that the chances for the stability of the Latin Union were now much better than they had been for several years past. Not only was the difficulty of redeeming in gold a great guarantee of permanence; but, now that such redemption was really to be enforced, it was unlikely that there would be much desire on the part of the smaller countries to recur to a silver policy; while the large stock of gold held by France would make it quite impolitic to abandon a position so advantageous from a monetary point of view as hers. It was thus on a new basis, and with renewed prospects of continued existence, that the Latin Union entered upon the period between 1885 and 1893. On the other hand, however, the actual state of affairs was unchanged, and the new agreement, of course, furnished no assistance in overcoming the antecedent difficulties. The stock of surplus silver was as large as ever, nor was its depreciation less alarming than it had been, but rather more so; while the good results which had been hoped for from Italy's gold loan

were proving less substantial than had been anticipated. Some of the gold was already flowing back to the foreign markets whence it had been drawn, and it was feared that the beneficial effects of the operation would be purely temporary. Thus there was little amelioration of existing conditions to be expected from the new treaty, save that the general situation was indirectly strengthened.

The treaty of 1885 was, for the reasons already given, ratified by the various governments without formal objection, though it is true that, in Belgium, some disappointment at the rather rigid stipulations of the treaty was expressed. Nevertheless, Belgium was the first to yield the customary assent. This was formally published in the law of December 12, and received the royal signature on the 30th[1] of the same month. The analogous French law passed the senate on the 29th,[2] with little comment, but in Belgium the matter was not allowed to rest at that point. It was thought that some measure looking to the eventual extrication of Belgium from her unpleasant plight should be adopted, even if the fiscal situation did not admit of its becoming immediately effective. It will be recalled that Belgium still possessed the right to coin the remainder of the quota of subsidiary coin allowed her, and as only 33 million francs had so far been issued, there remained about 7.8 million francs to exhaust the quota. Owing to the extent of the depreciation of silver the profit to be gained by issuing this quantity of coin was by no means an insignificant percentage of the total, and the actual profit was estimated at 300,000 francs or more. This profit would have been much greater had it not been provided that five million francs of the new subsidiary coinage was to be struck from retired five-franc pieces. It was, however, thought that the sum realized might well be devoted to the foundation of a fund from which to provide for the ultimate redemption of a portion of the five-franc pieces held by France.[3] In order, however, to force these

[1] See *Bulletin de Statistique, ante cit.*, 1886, I, p. 172.

[2] *Ibid.*, p. 1; also, *Documents Parlementaires*, 1886, p. 329.

[3] *Moniteur Belge*, May 18, 1886.

coins into circulation, it would be necessary to free the Belgian circulation of foreign subsidiary coin. Of this a large quantity belonged to France. Measures were accordingly taken, and orders issued in accordance therewith, directing the retirement of all foreign fractional coin.[1] The monetary discussion had the effect of once more attracting general attention to the subject, and in Italy it was decided, after some legislative argument, to appoint a monetary commission for the study of the question.[2] The commission was to correspond with similar bodies in foreign countries, gather monetary statistics, and observe the course of silver quotations; and it was provided that the results of its studies should be published.[3]

In France an attempt was made to secure the passage of a motion by the chamber of deputies to the effect that it recommend the resumption of the bimetallic conference of 1881.[4] This effort had no result, for it seemed to be the general belief that the new treaty bade fair to strengthen the monetary league. Feeling against any new indorsement of silver did not, however, militate against the desire to keep the existing coin in circulation and prevent it from accumulating in large quantities in the public treasuries. Instructions were, in fact, issued by the treasury in August 1886, to withdraw gold 20-franc pieces, so far as possible, in order to permit the circulation of a greater quantity of silver five-franc pieces. It was frequently observed, moreover, that the ten-franc pieces were growing quite scarce, and had, in some quarters, almost disappeared; and a glance at the figures for the reserve of the Bank of France showed that that institution was withdrawing them.[5]

Despite, however, the determined opposition to bimetallism, the subject continued to be kept before the people. Toward the end of the year, indeed, it received a decided check, owing

[1] *Ibid.* [2] *Gazetta Ufficiale*, September 2, 1886.

[3] In the *Bolletino di Legislazioni e Statistica Commerciale e Doganale.*

[4] See *Journal Officiel;* also *Économiste Français,* February 10, 1886.

[5] See statement of reserve in *Bulletin de Statistique*, 1886, 2; also *London Economist*, 1886, p. 1081.

largely to the unfavorable outcome of the silver schemes in America,[1] but the subject continued to be discussed at intervals. About the middle of the year 1887 a fresh opportunity for the bimetallists offered itself. At about this date a decided stringency in the money market was felt. Before long, exchange on all the principal European cities had risen considerably, and by October 1 exchange on London was 21 centimes above par. Simultaneously the rate of discount at the Bank of England was raised from 2 per cent. to 4 per cent.[2] Gold was quoted at ½ per cent. premium. In reality, the stringency was purely temporary and was chiefly due to speculation in South American loans. The reserve of the bank was higher by far than was necessary, amounting at one time, in 1887, to 1393 million francs, and there was absolutely no ground for fear. It was even to be desired that some of the gold reserve should be allowed to go abroad, instead of remaining at home. Just at this juncture, moreover, the report of the English monetary commission affected unfavorably the situation in France. Although a number of the members of the commission had strongly favored gold, the commission as a whole leaned toward bimetallism in its report. This again tended to strengthen the cause of silver.[3] Moreover, there were a number of other circumstances which, just at this time, combined to call attention more strongly than ever to the monetary question, and thus afford an excuse for bringing the discussion once more before the people at large. The matter of recoining the light-weight and worn gold coins was debated in the chamber, and incidentally the general monetary problem was touched upon. The appointment of a board which should prepare for a general international monetary congress at the time of the exposition of 1889 also drew attention to monetary affairs and, though interest by this time was not as intense as it had been, public opinion was much alive on the subject. The

[1] *Économiste Français*, October 9, 1886.

[2] *London Economist*, October 1, 1887.

[3] See *Report of Gold and Silver Commission*, 1887; and cf. *Économiste Français*, November 24, 1888.

monetary discussion was not confined to France. In Switzerland, it was decided to take a further step toward the attainment of an adequate gold circulation. As Switzerland had never possessed an adequate currency of her own, it was voted to issue one million francs in 20-franc pieces. At the same time, the issue of six million francs in subsidiary silver was ordered.[1]

The situation in Italy requires rather more attention. As already hinted, things were not going so favorably from the financial and monetary points of view as had been hoped. Gold had been flowing out of the country[2] and, while this movement could not go far, owing to the large proportion of the new supply of gold held in banks and in the treasury, it was nevertheless a discouraging symptom, especially as the importation of silver also continued. This latter fact began to assume a serious aspect toward the close of 1887. The stringency that was felt on the Paris bourse manifested itself in an aggravated form in Italy. Exchange was so heavily against Italy that it began to be profitable to export the subsidiary coin and use it in the other countries of the Latin Union. The stringency increased, and about the end of the year the Italian government, in order to diminish the stock-exchange crisis, deposited in the different banks sums of old Bourbon silver coins,[3] which had been withdrawn from circulation as security for an additional issue of notes to an equal amount. Furthermore, the power to turn the Bourbon coins into five-franc pieces was asked from the other countries of the Latin Union.[4] It was hardly to be doubted that the reply to this request would be unfavorable, and it was not long before the news came that France would not accede to the request. On May 7, 1888, the subject was again brought up in the Italian Chamber of Deputies, and a question was furthermore raised by

[1] *Économiste Français*, 1888, p. 699. [2] *Bulletin de Statistique, ante cit.*, 1892, I, p. 143.

[3] Fifteen millions in the Banque Nationale (actual value of the metal), three millions in the Roman Bank, three millions in the Tuscan Bank, two millions in the Bank of Sicily, 23 millions in all.

[4] See *Gazetta Ufficiale*, November and December 1887; also *Bulletin de Statistique, ante cit.;* especially 1888, i. p. 737.

M. Seismit Doda as to what could be done to hinder the speculation going on in Italian subsidiary coin. M. Magliani, the minister of finance, was unable to give any satisfactory reply concerning the coinage of silver, but announced that negotiations whereby some check would be applied to the speculation in subsidiary silver were now pending.[1]

The already-mentioned prospect of a monetary congress to be held at Paris in connection with the exposition did not serve to quiet the bimetallic agitation. It was hoped that the congress would afford an opportunity for committing the governments to a policy favorable to silver. The congress, however, did not justify any such anticipations. It was opened at Paris on September 11 by the French minister of finance, in a speech which gave no clue to his attitude on the silver question. M. Magnin, the president of the congress, deplored the fall in the value of silver, but even he held out no hope of any sacrifice on the part of France that would tend to relieve the existing situation. The congress as a whole leaned strongly to a bimetallic policy, silver being supported by Grenfell, Arendt, Koch, Cernuschi, Foxwell, Laveleye, and others, but it was very apparent that the French delegates were much more conservative and supported gold almost unanimously.[2] Like all of its predecessors the congress came to an end without recommending any decisive measures and without bringing the countries any nearer an accord with regard to silver.

The expiration of the Treaty of 1885 now began to be anticipated with considerable interest. It was now nearing the close of 1889, and membership in the union might be discontinued at this time, by giving notice to that effect and complying with other conditions. An announcement of intention to leave the union, should such an intention exist, must be made before the end of the year or a continuance of one year would be tacitly assumed. There seemed, however, to be as little wish

[1] *Gazetta Ufficiale*, May 8, 1888.

[2] *Bulletin de Statistique, ante cit.*, 1889, 2, pp. 200 *et seq;* also, *Économiste Français*, September 28, 1889. p. 386. See also *ibid.*, p. 313.

to get rid of the union as there had been at any time in its history. In fact, now that the troublesome question of redemption had been finally settled, there seemed to be no good reason why the union should be dissolved. Evidently, France had no intention of demanding a dissolution, for the chamber postponed the discussion of the monetary question, thus practically renewing the union, so far as France was concerned, until January 1, 1892; nor was there much desire in the other countries to depart from the league. The general Italian opinion on the subject was voiced by M. Magliani, former finance minister, who entered into a careful calculation of the benefits to be derived by Italy from various lines of monetary polity.[1] He found that a secession from the Latin Union was quite out of the question, as the cost of redemption would be far too great to be incurred. On the other hand, there would be little advantage and much harm resulting from such action. According to his calculation the smallest conceivable expense to which Italy could be put in the case of such an event would be 50 million francs, and, in her present weak financial condition, this would be too heavy a load to be borne. Moreover, Italy had nothing to gain by the operation save a possible increase in her ability to keep her coin at home. Much the same opinion seemed to be held in the other states and, though the Bank of France had been retiring as much as possible of the foreign silver and hoarding it in reserve, it did not now seem probable that it would be needed. Over 200 million francs in Belgian silver five-franc pieces, as well as about 150 million francs of those of the other states, were awaiting shipment in the bank vaults and, though there seemed to be no present prospect that they would be redeemed, it was thought best to hold them in reserve.[2] France was the more loath to take any step inimical to the continuance of the *status quo* for other reasons beside those readily apparent. It was, of course, to be expected that, whenever the necessity for redemption should occur, a great monetary stringency would thereby

[1] See *Nuova Antologia*, Rome, October 16, 1889.

[2] Haupt, *Économiste Français*, December 21, 1889, p. 769.

be brought about. In this case, France would not be so favorably situated as might be supposed. It will be recalled that, in case of redemption, one half the coin was to be returned by the usual commercial methods. France, however, being already a creditor country, it would be hard to bring this about — at least for a considerable time. There was the less reason for anxiety on the part of France, because of the fact that the stock of gold in the banks of the world was increasing.[1] No scarcity of gold was to be observed, and the progress of the new monetary reform in Austria — a country whose money possessed some similarity to that of France — had relieved the fear that silver might still further infiltrate from that quarter.[2]

The year 1889 closed and no hint of the abrogation of the treaty was yet given. During 1890, the reports concerning the character of the new silver bill in the United States, to the influence of which a slight rise in the price of the metal was ascribed, led some to urge that the opportunity for unloading silver had come.[3] Silver should be sold while the price was high, inasmuch as the better quotation would lead to stimulated production, thus again depressing the quotation.[4] On the other hand, the bimetallists urged that the progress of the United States toward free coinage offered an opportunity to France to take similar steps without danger to herself. The new wave of monetary agitation, and the possibility that a new face might shortly be put upon the silver question, owing to the action of the United States, led in Belgium to the establishment of a new monetary commission[5] which was constituted by the terms of the royal decree of April 2, 1891. The finance minister himself, in his report to the king,[6] stated that the fall of silver was producing great industrial perturbation, and that, as there were more than 2500 million francs of silver in the Latin Union, the abandonment of the "bimetallic" system must be productive of serious loss. On the whole, the monetary question received

[1] *Ibid.*, December 29, 1888, p. 785.

[2] *Ibid.*, July 27, 1889, p. 109.

[3] *Ibid.*, 1890, 1, p. 743.

[4] *Ibid.*, 1890, 2, pp. 97 *et seq.*

[5] *Moniteur Belge*, April 6, 7, 1891.

[6] *Bulletin de Statistique, ante cit.*, 1897, 1, p. 499.

comparatively little attention during 1891. In Italy, however, matters were growing worse, and it was continually urged that the adoption of silver as standard money, or, what amounted to the same, the passage of a bimetallic law, would afford relief. Toward the close of the year, the agitation took on new strength as the time for secession from the union drew to a close. Nothing, however, was done; but, at the opening of 1892, the monetary question was brought up in the senate. January 25 the minister of the treasury, M. Rossi,[1] was asked by a member of the senate what measures the government would adopt to ameliorate the monetary condition of the kingdom. The member also urged that the union be dissolved, and that silver be adopted as the standard of value, maintaining that this would improve the course of the *rente*.

This attack was answered the next day by the minister in a conservative and moderate tone.[2] He believed that the monetary question was by no means so serious as it had been in 1885. Italy was unable to play a controlling part in the Latin Union, that being the prerogative of France, and France was determined to adhere to the gold standard. As for secession from the Latin Union, it was out of the question. It was impossible to float any more silver, and the only rational policy would be to retain as much gold as possible, and refrain from disturbing the markets by monetary agitation. It was agitation, not the currency, that was injuring the status of the *rente*. He then reviewed the state of the monetary question in other countries, and maintained that only in the United States had the silver cause made any progress; and even there only because American legislators were all either agitators or silver-mine owners.

It was just at this juncture that the government of the United States decided to take the initiative in regard to a new international monetary conference on the silver question. During May, invitations to join in the conference were sent out. This

[1] See *Gazetta Ufficiale* throughout the latter part of January and compare *Bulletin de Statistique*, *ante cit.*, 1892, 2, pp. 172 *et seq.*

[2] *Ibid.*

naturally renewed the monetary debate in the various legislative bodies of the Latin Union.[1] In Belgium the subject came up incidentally in connection with the discussion of an unimportant mint law. In response to the demands for an active silver policy in conjunction with the United States, M. Beernaert stated that at present the Latin Union was monometallic. It was undesirable to make any change, and at present impossible to redeem the silver. Consequently, Belgium would adhere to the Latin Union, and, while ready to discuss the monetary question with the representatives of the United States, could hold out little hope of support for silver.[2] This seemed to express the general feeling of the countries of the Latin Union for, when the conference finally met (November 22) at Brussels, their attitude was anything but favorable to silver.[3] The plan of the conference had been a very vague and general one. President Harrison, in his invitation, had stated the object as being "to consider by what means, if any, the use of silver can be increased in the currency systems of the nations." The Latin countries, however, showed little disposition to take any such steps, and one of the French delegates even advised, as a preliminary to any action on the part of France, that other countries should absorb as much silver as had France. Inasmuch as France had now about fifty francs of silver per capita, while others had only from fifteen to twenty-five francs, he thought that a part of the surplus silver might be consumed in this way.[4] Only two countries, Holland and Spain, both of which had but slight stocks of gold, were frankly bimetallic in their policy, and an English delegate even called upon the conference to pronounce all attempts at international action for silver useless.

[1] See, *e. g.*, *Journal Officiel*, June 1, 1892 *et seq.*; and *Gazetta Ufficiale*, June 16, 1892.

[2] *Moniteur Belge*, May 26, 1892; also *Bulletin de Statistique, ante cit.*, 1892, 1, p. 738.

[3] For proceedings see *Procès-Verbaux; Conférence monétaire internationale*, Paris 1892; also *Bulletin de Statistique, ante cit.*, 1892, 2, p. 634; also *La Conférence monétaire de Bruxelles*, Paris, 1893, p. 29.

[4] See *Procès-Verbaux, ante cit.*

The representatives of the Latin Union had thus shown no leaning toward bimetallism nor any especial dissatisfaction with the *status quo.* Now, however, some difficulties which rendered new action necessary made their appearance. It had become profitable to export the Italian subsidiary coin, and consequently Italy was finding her silver subsidiary circulation decreasing. During 1892–3 the continued fall of exchange to a point 11 or 12 per cent. below par intensified the movement, and it became difficult to effect small sales in Italy. Even the five- and ten-centime pieces were collected and shipped. It was finally decided by Italy to refuse further adherence to the Treaty of 1885 so far as concerned the subsidiary coin; and, furthermore, to ask the return of her subidiary coin by the countries as had been done in 1878–9. This determination of Italy and the knowledge that a new meeting of the countries constituting the Latin Union would be necessary, rendered the approaching conference the most interesting monetary event of the day, especially as the international monetary conference of 1892, which had been adjourned to May 30, 1893, had been still further postponed to await action on the part of the administration in the United States.[1] Moreover, the message of President Cleveland, following closely on the closing of the Indian mints to silver, had still further strengthened France in her anti-bimetallic policy.[2]

The desire of Italy for definite action on the part of the Latin Union took shape in a diplomatic note of July 8, 1893. The receipt of this note was followed by negotiations, and the date for a meeting of the conference was set at October 9, 1893.

The Conference of 1893 does not demand minute study. There was little hesitation on the part of the powers to grant the demands of Italy.[3] Though carefully elaborated with the usual attention to detail, the arrangement[4] merely amounted to

[1] Cf. *Économiste Français*, May 13, 1893, p. 596.

[2] *Ibid.*, July 8, p. 33, and July 1, p. 1.

[3] Cf. *Gazetta Ufficiale*, August 11, 1893; *Économiste Français*, 1893, p. 513.

[4] See Appendix I; *Gazetta Ufficiale*, August 11, 1893.

an agreement on the part of France, Belgium, Switzerland, and Greece to withdraw within four months the Italian subsidiary silver in circulation within their territories, and place it at the disposal of the Italian government for redemption, in sums of not less than 500,000 francs each. Interest and expenses were to be borne by Italy, and it was provided that the other countries might prohibit the importation, and Italy the exportation, of the Italian subsidiary coin.

The execution of the Treaty of November 25, 1893, providing for the retirement of the Italian coin, was successful, and did not occasion the friction and inconvenience anticipated in some quarters. The Convention of 1893 had been prefaced in France, Belgium, and Switzerland, by investigations into the condition of the subsidiary circulation, undertaken with a view to ascertaining the exact status of the Italian coin in circulation in each of the countries. Greece neither paid any attention to the subject, nor did she return any of the coin, inasmuch as little specie of any sort was in circulation within her limits.

The investigation had been conducted for France by the banks of France and Algeria, the *Crédit Lyonnais*, the railway companies, and certain other financial and commercial organizations. According to their showing, some 29 per cent. of the total French stock of subsidiary coin consisted of Italian silver.[1]

The Swiss and Belgian investigations, which had taken place even before that of France, had resulted in an even more discouraging fashion. Switzerland was, owing to her geographical position, more heavily loaded with silver coin than either France or Belgium. The Swiss *enquête*, which took place July 23, 1892, had shown an immense preponderance of Italian coin over all other elements in the circulation. The investigation of July 23 had been continued on July 29 and 30, and might be considered thorough. It showed that about 57.4 per cent. of the Swiss silver circulation was of Italian coin, and of the subsidiary coin not less, probably, than 70 per cent. It had for a

[1] See *Bulletin de Statistique et de Législation Comparée*, 1893, 2, pp. 415 *et seq.*

long time been known that Italian coin was being imported in large amounts,[1] but such an invasion as this had hardly been anticipated.[2]

Belgium was not so heavily loaded with Italian coin as either France or Switzerland. Still her *enquête* showed that much more than half of her circulation consisted of foreign coin of some sort. This investigation, which was carried on by the *Banque Nationale* September 1, 1893, was probably not so thorough as either of the others, but might at least be considered approximately accurate. It indicated that nearly 18 per cent. of the coin considered was of Italian origin.[3]

In all, about 200 million francs of silver subsidiary coin had been issued by Italy. The important question where these would be found was more difficult to answer. It was estimated by the administration of the mint, on the basis of the data just considered, that the distribution of the Italian subsidiary coin might be tentatively stated thus (according to the presumed stock of each country, and the percentage shown by the investigation).

In France and French colonies:

	(In million francs)	
In Bank of France	3.4	
In circulation	81.6	
		85.0
In Italy	63	
In Belgium	7	
In Switzerland	25	
In Greece	—	
Lost coin	22.4	
		117.4
Total		202.4[4]

Summing up all the information to be had, it seems that the situation may be expressed in the following table:

[1] Cf. *Conférence monétaire, ante cit.*, 1893; *Procès-Verbaux*, p. 80.

[2] See *Bulletin de Statistique, ante cit.*, 1893, i. p. 410.

[3] *Ibid.*, 1893, 2, pp. 498 *et seq.*

[4] See *Rapport de M. le Député Paul Delombre du 28 mai, 1894, relatif aux Frappes de monnaies divisionnaires Françaises necessités par le Retrait des pièces Italiennes. Documents Parlementaires*, 1894, No. 656. Also *Economiste Français*, October 18, 1895, p. 508.

QUOTAS AND COINAGES			Nationality	DISTRIBUTION OF COINS								Total Coined
				In France			In Italy	In Belgium	In Switzerland	In Greece	Various	
Quotas fixed in 1885	Amounts remaining uncoined	Coinages to the end of 1893		Effective circulation	In bank	Total						
Millions	Millions	Millions										
256 +8 } 264	12.1	251.9	French	129.6	52.4	182	18	15	5	..	31.9	251.9
182.4 +20 } 202.4	....	202.4	Italian	81.6	3.4	85	63	7	25	..	22.4	202.4
35.8 +5 } 40.8	....	40.8	Belgian	16.1	1.9	18	1	17	1	..	3.8	40.8
19 +6 } 25	....	22.	Swiss	8.8	1.2	10	1	..	9	..	2.0	22.0
15	....	10.8	Greek	2.8	2.2	5	2	1	..	1	1.8	10.8
			Total	238.9	61.1	300	85	40	40	1	61.9	527.9

In the earlier part of the present chapter the legislation that accompanied the retirement has been summarized. According to the treaty provisions, the time for withdrawal was to extend but four months after the ratification of the treaty. It will be recalled, however, that a decree had at once authorized the retirement of the Italian coin. The formal ratification was effected by the law of March 22, 1894; and, as the treaty was formally promulgated on the 25th of the same month, the extreme date for withdrawal would be July 25, 1894.

By the expiration of the treaty, 4.9 millions had been retired in Belgium. Switzerland had withdrawn 13 million francs. The operation thus finally succeeded in withdrawing about 103 million francs in all.

Retirements had been made as follows:

	Irrespective of treaty	By virtue of treaty	Total
	(million francs)	(million francs)	(million francs)
France	13	57.2	70.2
Belgium	2	4.9	6.9
Switzerland	13.1	13	26.1
Total	28.1	75.1	103.2

The affair proved an expensive one for Italy. According to the official report rendered in 1895, when the operation was fairly concluded,[1] the cost of retiring and redeeming the 103.2 millions had been 114.7 millions, an expense of 12.2 millions in withdrawal, 3.3 for purchases anterior to March 25, 1894 (in virtue of the French decree of 1893), and 8.1 for purchases subsequent to that date.

Italy herself had succeeded in withdrawing only about 23 million francs, so that not more than 126.5 millions in all were on hand.[2] The issue of the two-franc and one-franc notes, however, for the replacement of the coin had, at the same date, amounted to but 110 million francs.

One point deserving of mention is the amount of coin which seems to have disappeared entirely. According to the preliminary estimates, this had been placed at 22.5 millions; but the outcome of the operation shows that it cannot be less than 30 or 40 million francs.[3] All in all, France, Belgium, and Switzerland had nothing to regret in connection with the withdrawal, inasmuch as they secured the redemption of a large quantity of coin, worth considerably less than 50 per cent. of its face value, at little or no expense to themselves.

The operation whose history has just been traced, had, however, an unexpected result. From the very beginning of the process, the scarcity of small coin, already felt in some quarters, had grown more and more embarrassing. It had not been realized to how great an extent the other countries had relied upon Italian subsidiary silver for their daily transactions. This lack of coin was particularly troublesome in Switzerland, and finally led to a new meeting of delegates of the various countries at Paris in the autumn of 1897. No questions of any moment with reference to the general silver problem were seriously discussed. The delegates, in fact, confined themselves merely to raising the quotas of subsidiary silver assigned to the various countries.

[1] *Relazione del Direttore generale del Tesoro a S. E. il Ministro intorno alle operazioni per il rimpatrio delle monete divisionali Italiane d' argento*, Rome, 1895.

[2] *Ibid.* [3] *Économiste Français*, October 19, 1895, pp. 507 *et seq.*

By the treaty[1] signed October 29, 1897, these quotas were established as follows:

	Old quota	Additional quota	Total
	(million francs)	(million francs)	(million francs)
For France, Algeria, and the colonies.....	264	130	394
For Belgium..........................	40.8	6	46.8
For Italy............................	202.4	30	232.4
For Switzerland......................	25	3	28

It was, moreover, agreed that the bullion to supply these issues should be obtained by the withdrawal and remelting of old silver five-franc pieces, with the exception of three million francs for each country, which might be struck from new bullion. Should these three millions be so issued, however, the profit thereon (amounting in each case to 1.5 millions approximately) was to be used for the recoinage of old and worn coins, beginning with the gold. Greece resigned the right of issuing new fractional coin until such time as she should be able to take measures analogous to those pursued by Italy in 1893, and which have already been discussed.[2]

Rather more important, from the general monetary point of view, than the arrangement just described, was the protocol to that arrangement signed at Paris on the 15th of the following March (1898). It will be recalled that Italy had, by Art. 15 of the Treaty of 1893, reserved the right to prohibit the exportation of her subsidiary coin. During the years immediately succeeding the signing of that treaty, Italy supplied the place of her subsidiary silver by an issue of small notes, the coin itself being maintained on deposit in the treasury as a guarantee of the notes. Under the then existing conditions in foreign exchange, it would be manifestly impossible to return to the issue of coin without some such measure, unless Italy were prepared to

[1] *Rapport au Ministre des Finances*, 3^{me} Année, Paris, 1898, pp. 5–8, for original text. See also Appendix I.

[2] The treaty, as above described, was ratified without modification by the French law of December 18, 1897, by the Belgian law of December 29, 1897, and by the Italian law of January 2, 1898.

repeat the redemption operations of 1893–1895. Italy now proposed, therefore, to prohibit the exportation of subsidiary silver and to withdraw the small treasury notes of two-lire, one-lire, and 50 centimes,[1] for the use of these notes had proved highly unsatisfactory. She therefore asked release from those provisions of the Treaty of 1885 that prescribed redemption of the subsidiary silver on demand, for a period of one year after the expiration of the treaty. The provision was, of course, made that no hindrance should be offered to the return of the coin by regular commercial channels, and this agreement was to extend over a period of five years from the expiration of the Treaty of 1885. After some debate, both in and out of the chambers, the protocol was accepted by France, and consequently by the other countries.[2]

During the last decade, the bimetallic agitation, formerly so active throughout the Latin Union, has very definitely decreased. The opinions of France, and her action in 1885, together with her subsequent attitude on the monetary question, have made evident the impossibility of taking any steps toward the rehabilitation of silver. Until France shall change her position, therefore, there can be no thought of a new régime. Of the improbability of such a change, the recent unfavorable reception in Paris accorded to the bimetallic commission sent out by President McKinley affords evidence.[3]

[1] These operations were ordered by the law of February 16, 1899. See *Gazetta Ufficiale*, Rome, February 20, 1899.

[2] See *Journal Officiel*, 1898, pp. 2187, 2437, 2459 (*Documents Parlementaires*, No. 346); also *ibid.*, No. 364, p. 2019; No. 369, p. 1088; also *Journal Officiel*, p. 8672.

[3] Cf. *Économiste Français*, 1897, 2, pp. 659–661.

CHAPTER XX.

THE PRESENT CONDITION AND FUTURE PROSPECTS OF THE LATIN MONETARY UNION.

It will be observed that the foregoing investigation has not sought to pass any criticism upon the policy pursued by the states of the Latin Union, nor has any effort been made to correlate the silver question, as it exists in France and the allied countries, with the more general aspects of the monetary problem. The object sought has been merely that of placing in a colorless historical light the action taken by the countries of the Latin Union, without reference to its bearing upon the question as a world-wide problem.

Now, however, that the particular history of the Latin Union has been surveyed, it seems necessary to examine the present monetary condition of France and her allies in its relation to that of the commercial world as a whole. But before proceeding to any general discussion of the monetary question in France, as a particular case of the general silver problem, and before attempting to draw any inferences regarding the possible future course of events, it will be requisite to restate briefly the terms of the problem as it manifests itself in the Latin Union at the present time. In order to do this, it will be necessary to sum up the present condition of the circulation in the states of the Latin Union, so that it may be clearly understood just what is the mass of monetary metal with which France and her allies have to deal, and how this stock of coin is constituted. From what has preceded, it is plain that the real crux of the silver question in the Latin Union lies in the extent to which France has become a holder of the coin of her allies. The condition and composition of the monetary stock of France is therefore the key to the situation.

The principal sources of information concerning the composition of the monetary system of France are the *enquêtes* of 1868, 1878, 1885, 1891, and 1897. Numerous other estimates have

been made, but for the most part they rest upon the official inquiries already mentioned.[1] Interesting information has also been obtained through the analogous investigations in Italy, Switzerland, and Belgium, and by the less extensive inquiry made in France in 1893. While the returns thus obtained are not strictly contemporaneous, they may, as a whole, be relied upon to furnish a tolerably correct notion of the situation in the allied states.

Considering first the returns obtained in 1897, at the last of the completed French official investigations,[2] it is to be noted that the total sums of money examined September 15, 1897, amounted to 209,081,556 francs, of which 173,358,020, or 82.91 per cent., was in notes, and 35,723,535, or 17.09 per cent., in coin. In 1885, there had been 52,846,035 francs in all, of which 35,737,720 francs was in notes and 17,108,315 francs in coin. The 35,723,535 francs examined in 1897 were divided thus:

	Amount	Per cent.
Gold 20-franc pieces Gold 10-franc pieces	23,199,640	11.10
Silver 5-franc pieces	9,311,370	4.45
Fractional silver	2,968,875	1.42
	35,479,885	
Token money	243,650	0.12
Total	35,723,535	17.09

Gold was thus about 65 per cent. of the total coin.

The progressive alteration in the character of the circulation may be understood by reference to the earlier investigations. The comparison (subsidiary and token money omitted) may be expressed as follows:

	Amount of sums examined	Gold 10 and 20 franc pieces	Silver 5-franc pieces	Per cent.	
				Gold	Standard silver
1868	29,707,260	29,028,140	679,120	97.72	2.28
1878	22,945,770	16,878,740	6,067,030	73.55	26.45
1885	17,108,315	11,860,430	5,247,885	69.33	30.67
1891	23,498,810	16,365,080	7,133,730	69.62	30.38
1897	32,511,010	23,199,640	9,311,370	71.37	28.63

[1] Notably those of FOVILLE, HAUPT, and AD. SOETBEER.

[2] *Rapport au Ministre des Finances*, 1898, pp. 115 *et seq.*

Definite information regarding the extent to which the French circulation had been invaded by foreign coin may also be obtained from the same sources. A comparison analogous to that just made will give the following results:

GOLD.

	Total amount	French coin	Foreign coin	Per cent.	
				French	Foreign
1868	29,028,146	27,684,300	1,343,840	95.37	4.63
1878	16,878,740	14,705,450	2,173,290	87.12	12.88
1885	11,860,430	10,631,130	1,229,300	89.64	10.36
1891	13,971,320	12,384,610	1,586,710	88.64	11.36
1897	23,199,640	20,284,270	2,915,370	87.43	12.57

The foreign gold coin was classified thus:

	1878		1885		1891		1897	
	Total value	Proportion in circulation	Total value	Proportion in circulation	Total value	Proportion in circulation	Total value	Proportion in circulation
Belgian	1,392,600	8.25	738,700	6.23	807,060	5.77	1,340,390	5.78
Italian	665,570	3.95	399,400	3.37	559,440	4.00	1,053,340	4.54
Greek	19,750	0.11	10,400	0.09	18,990	0.14	59,520	0.27
Swiss	2,300	0.02	2,000	0.01	3,840	0.03	35,680	0.15
Austrian	93,070	0.55	78,800	0.66	177,350	1.27	290,380	1.25
Russian	......	....	......	....	17,960	0.13	116,600	0.50
Spanish	......	....	......	....	2,070	0.02	19,460	0.08
Totals	2,173,290	12.88	1,229,300	10.36	1,586,710	11.36	2,915,370	12.57

The same method of comparison may also be applied to the silver five-franc pieces.

SILVER FIVE-FRANC PIECES.

	Total value	French coin	Foreign coin	Per cent.	
				French	Foreign
1868	679,120	638,405	40,715	94.00	6.00
1878	6,067,030	4,124,945	1,942,085	67.99	32.01
1885	5,247,885	3,738,795	1,509,090	71.24	28.76
1891	6,246,820	4,277,860	1,968,960	68.48	31.52
1897	9,311,370	8,159,925	1,151,445	87.63	12.37

Divided as follows:

	1878		1885		1891		1897	
	Total value	Per ct. in circulation	Total value	Per ct. in circulation	Total value	Per ct. in circulation	Total value	Per ct. in circulation
Italian	959,560	15.81	802,285	15.29	1,082,790	17.33	798,020	8.57
Belgian ...	933,025	15.37	655,565	12.49	783,205	12.54	296,515	3.19
Greek	19,040	0.31	35,210	0.67	77,155	1.23	41,730	0.45
Swiss	30,460	0.52	16,030	0.31	25,810	0.42	15,180	0.16
Totals...	1,982,085	32.01	1,509,090	28.76	1,968,960	31.52	1,151,445	12.37

So far, of course, nothing has been said of the actual volume of the coin held by the countries of the Latin Union. It is, naturally, difficult to arrive at anything like an exact estimate of this monetary volume. Still, various calculations have been made, and results that seem fairly trustworthy have been reached.

In 1890 M. de Foville by an ingenious method of his own[1] estimated the total silver stock of France at 2500 million francs and the gold coin at 5000 million francs. At the end of 1887 M. Cochut had estimated the silver on hand at less than 2000 million francs and Ottomar Haupt had calculated that the stock of coin existing at the end of 1885[2] stood about as follows:

	Million francs
Gold in bank	1,157
Gold in circulation	3,300
Silver 5-francs in bank	1,086
Silver 5-francs in circulation	2,400
Subsidiary silver	250
Subsidiary bronze	60
Total coin	8,253
Uncovered notes	675
Total	8,928

In June 1887, Haupt estimated the total silver at 3550 millions. In 1890, at the time of M. de Foville's estimates, he repeated his former estimates and adduced evidence to show

[1] See *Journal de la Société de Statistique de Paris*, January 1886; also *La France Économique, Statistique, Raisonnée, et Comparative.*

[2] *Histoire monétaire de notre Temps*, chapter on France.

their correctness.[1] M. de Foville, however, maintained the accuracy of his own estimates, and, furthermore, restated the exact situation of the standard silver coin thus:[2]

	Circulation	Bank	Total
	(million francs)	(million francs)	(million francs)
French five-franc pieces	606	794	1400
Belgian five-franc pieces	112	233	345
Italian five-franc pieces	155	173	328
Greek five-franc pieces	8	7	15
Swiss five-franc pieces	3	4	7
Total	884	1211	2095

The figures of M. Foville received the support of Dr. Soetbeer, who considered those of M. Haupt too high.[3] M. Haupt nevertheless reaffirmed the general exactness of his estimates in 1892, after a consideration of further data,[4] though he reduced them somewhat, stating the stock of gold as follows:

	Gold, million francs		Silver, million francs	
Stock in 1815	600		1500	
Net imports, 1815–1891	6500		3600	
		7100		5100
Less industrial consumption, 1795–1891	2900		1340	
Less German indemnity	270		240	
		3170		1580
Balance at beginning of 1892		3930		3520

He further stated the holding of foreign silver coin by the Bank of France, a short time before, as follows:

	Million francs
Italian silver five-franc pieces	132
Belgian silver five-franc pieces	204
Greek and Swiss five-franc pieces	6
Foreign fractional coin	10
Total	352

[1] See *Économiste Français*, October 24, 1891, p. 329, and November 14, p. 611; also *Bulletin de Statistiqe, ante cit.*, 1887, 2, p. 663.

[2] See *Bulletin de Statistique, ante cit., ibid.;* also ARNAUNÉ, *La Monnaie, le Crédit et le Change, Paris*, 1892, pp. 208 *et seq.*

[3] ARNAUNÉ, *ibid.* [4] *Monetary Situation in 1892*, p. 130.

The total of such coin in circulation and at the bank might be, he believed, roughly placed at 500 million francs, which would leave about 2700 millions in French silver five-franc pieces.

He therefore stated France's total holding of coin thus:

	Million francs
Gold coin and bars at the bank	1338
Gold coin in circulation	3690
French silver five-franc pieces at bank -	924
Foreign silver five-franc pieces at bank	340
French silver five-franc pieces in circulation	1800
Foreign silver five-franc pieces in circulation	160
French fractional currency	250
Foreign fractional currency	30
Bronze money	65
Uncovered bank notes -	572
Total	8069

The two calculations just analyzed, so far as they deal with the stock of coin, may also be compared with the estimate of the official investigation of 1897, already quoted, which has established the following percentages for the foreign coin circulation in France as compared with the total circulation of each kind of coin:

	Gold	Standard silver	Fractional silver
	(Per cent.)	(Per cent.)	(Per cent.)
Belgian coin	5.78	3.18	7.88
Italian coin	4.54	8.57	....
Greek coin	0.27	0.45	2.10
Swiss coin	0.15	0.17	4.48
Austrian coin	1.25	....	....
Spanish coin	0.08	....	....
Russian coin	0.50	....	....
Total	12.57	12.67	14.46

An estimate somewhat earlier in date states the absolute amounts of foreign coin in France thus:

	Million francs
Belgian	260
Italian	250
Greek	14
Total -	524

M. de Foville, however, still holds approximately to his former estimates. In a report made in 1896 he says:[1] "Of

[1] *Rapport au Ministre des Finances, Administration des Monnaies et Médailles*, 1896, p. xi.

French and foreign coin I estimate the monetary stock of the country at 2.5 milliards, or more, for silver. For gold the figure of four milliards, which has sometimes been stated, seems to me to be a minimum." In 1898, after the latest official examination of the coin, M. de Foville stated the condition of the French specie stock as follows:[1]

	French coin	Foreign coin	Total
	(million francs)	(million francs)	(million francs)
Gold	3675	525	4200
Standard silver	1380	555	1935
Fractional silver	205	35	240
Total	5260	1115	6375

M. Haupt recently believed that the figures stated by him in 1892 are still substantially correct, save that the Swiss (and of course the Italian subsidiary) coin seems for the most part to have disappeared.

Difficult as it is to arrive at an accurate knowledge of the state of the French stock of gold and silver coin, the lack of statistical information makes it yet harder to get correct ideas concerning the state of affairs prevailing in the other countries.

In Italy, it is safe to say, there is but little coin outside that in sight in the reserves and treasuries. This was estimated at the beginning of 1887 about as follows:[2]

	Million francs	
IN BANKS.		
Coined gold	302	
Italian five franc pieces	24	
Foreign five-franc pieces	7	
Fractional coin	11	
		344
OUTSIDE BANKS.		
Gold in treasury	200	
Gold in circulation	40	
Silver in circulation	30	
Fractional coin	191	
		461
Total		805

[1] *Rapport au Ministre des Finances*, Paris, 1898, p. 12.

[2] See *Bulletin de Statistique, ante cit.*, 1887, 2, p. 663.

Other figures, given at the end of 1889, made the following showing on the basis of a slightly different classification:[1]

	Metal reserve of treasury	Reserve of banks of emission
Decimal gold	102,965,324	358,411,135
Silver five-franc pieces	5,139,445	61,756,760
Fractional silver	7,682,292	8,543,080
Non-decimal silver	14,049,264	19,082,142
Monies and ingots deposited in institutions of issue	30,426,796	....
Total	160,263,122	447,793,118

M. Haupt's estimates for the beginning of 1892, which he thinks are substantially correct for the present time, differ somewhat from those just given. According to him the following represents the Italian circulation at the beginning of 1892:

	Million francs
Gold in banks	371
Gold in treasury	114
Silver in banks	71
Silver in treasury	10
Fractional currency	150
Bronze coin	75
Uncovered state notes	621
Uncovered bank notes	226
Total	1638

The coinage from 1862 to 1886 was:

	Francs
Gold	420,383,000
Silver five-lire pieces	364,566,000
Fractional currency	202,400,000
Bronze	76,200,000
Total	1,063,549,000

He further believes that the Italian five-lire pieces were thus distributed:

	Million francs
Switzerland	30
France	128
Bank of France	132
Italian banks	50
Italian treasury	10
Total	350

[1] *Ibid.*, 1889, 2, pp. 162, 163.

So that Italy would at that time (1892) have had to redeem about 300 million lire in five-lire pieces. The situation thus contrasted unfavorably with that existing at the time of the resumption in 1883, when the stock of gold, according to the same author, was this:

	Million lire
Gold in banks -	77
Gold in treasury	515
Total	592

There were also at that time (1883) 81 million lire in silver in the banks, and 19 million lire in the treasury, making a grand total of 692 million lire.

The foregoing estimates may profitably be compared with the later calculations of M. de Foville,[1] who has stated Italy's condition as follows:

	March 1, 1896 (lire)	December 31, 1898 (million lire)
Gold in treasury -	89,974,481.00	131.8
Gold in banks of issue	440,812,054.06	376.3
Total	530,786,535.06	508.1

(Sufficient material for the determination of the *active* circulation is not at hand).

	Lire	Million lire
Silver in the treasury	148,889,378	191.9
Silver in banks of issue	63,536,618	35.6
Total	212,425,996	227.5

Little is known of the exact situation in Belgium. At the close of 1885, M. Haupt estimated the monetary stock as follows:

	Million francs
Gold	270
Standard silver	240
Subsidiary silver	33

In 1893 the silver holdings of the National Bank were thus stated by the same author:

Five-franc pieces, all nationalities	16,000,000
Subsidiary coin	18,000,000
Total	34,000,000[2]

[1] *Rapport au Ministre des Finances*, *ante cit.*, p. 84; also *ibid.* for 1899, p. 19.

[2] *Arbitrages et Parités*, 8th edition, p. 845.

According to M. de Foville, little information regarding Belgium is to be found. M. de Foville says:

On ne peut donner sur ce point, que des indications assez vagues. En 1880, les versements effectués aux diverses caisses de la Banque nationale de Belgique se divisaient ainsi; or, 66 p. 100; argent, 34 p. 100. Le stock d'écus de 5 francs en circulation était alors évalué à 275 millions de francs. Aucun chiffre n'avait été donné pour l'or.

La proportion s'est renversée depuis et on estime, sans qu'il y ait eu d'enquête sur ce point en 1895, qu'il y a dans les versements actuels 75 p. 100 d'argent et 25 p. 100 d'or seulement. Les pièces de 5 francs ne forment cependant qu'une faible partie de l'encaisse de la Banque; mais la Banque donne le moins d'or possible et opère généralement ses payements en espèces avec des pièces de 5 francs.

Sans donner aucun chiffre, on croit que le stock monétaire or et argent s'est considèrablement réduit depuis quelques années, à cause surtout de l'exportation du numéraire en France due aux conditions ordinaires du change.

M. de Foville has recently reaffirmed these opinions in his latest official report:[1]

On ne peut guère se livrer qu'à des conjectures en ce qui concerne l'importance du stock d'or et d'argent existant en Belgique.

L'enquête effectuée en 1881 par la Banque nationale et le Gouvernement avait permis d'évaluer à 275 millions de francs les existences en pièces de 5 francs d'argent. Ce chiffre semble s'être réduit adjourd'hui par suite des exportations, il ne serait plus que de 200 millions en y comprenant les 15 millions de francs qui se trouvent à la Banque.

Sans pouvoir donner aucun chiffre pour l'or, on continue à croire que le stock en ce métal s'est encore réduit pendant l'année, étant donné les conditions défavorables du change.

Of the condition of the Swiss circulation, likewise, no accurate information can be given. Haupt, in 1885,[2] estimated that the different elements in the circulation were:

	Million francs
Gold	80
Standard silver	70
Subsidiary silver	18

In 1893 he gave the following estimate of the Swiss holdings of foreign silver (exclusive of French):

Belgian silver 5-franc pieces	2,000,000
Italian silver 5-franc pieces	40,000,000
Italian subsidiary	3,000,000
Total	45,000,000

[1] *Rapport au Ministre des Finances*, Paris, 1899, p. 212. [2] *Ibid.*

In Greece, at about the same date, official figures fixed the amount of gold and silver at eight millions and two millions respectively, chiefly held in bank reserves. While it would be difficult to describe present conditions accurately, they are probably not materially different from those already indicated. No coin is in circulation.[1]

Such, then, being the conditions as nearly as they can be ascertained, it may perhaps be worth while to note the bearing of the statistics just given upon some popularly received notions regarding the relation of France to bimetallism. There are several ideas which have gained very general acceptation, and on that account are worthy of attention. These notions may be roughly stated as falling into three classes, concerning (1) The relation of the Latin Union to silver in the past; (2) the influence which might be exercised by these states upon the price of silver should they accede to some one of the numerous schemes for the rehabilitation of that metal; and (3) the present status of silver in France and the allied countries.

Under the first heading it is unnecessary to do more than discuss the most common of the numerous statements on the subject. This is the belief that, anterior to the year 1873, the states of the Latin Union had been silver-using, or, at all events, "bimetallic" countries; and that it was wholly, or in part, to their action in "demonetizing" silver that the first fall in the price of that metal was due. This statement, it is true, is very generally found in connection with the quite as commonly received assertion that Germany's action in "demonetizing" silver was the first important blow, and that an anti-bimetallic policy was really forced upon the Latin Union by Germany's action. According to this view of things, it was the German and French measures operating together which originally gave to the price of silver its downward trend. For the present purpose it is, however, quite indifferent whether we discuss the statement that attributes the original fall in the price of silver to the German action, and considers the policy pursued by the

[1] *Conférence monétaire, ante cit., Procès-Verbaux*, 1885, p. 193.

Latin Union as one of the necessary consequences of that action, or the one that ascribes the fall in silver to the combined action of the two groups of states. The fundamental error underlying both statements is that of supposing that the action of either country decreased the demand, either past or present, for silver. It would be out of place to discuss the case of Germany at this point, though it may incidentally be remarked that the statement just quoted with reference to Germany has never been substantiated. But how much truth does the statement contain when applied to the Latin Union? In an early chapter of this study it was shown that the net imports of silver, from 1815 to 1848, amounted to 2265 million francs. In the present chapter, the stock existing in 1815 was stated, after Haupt, at 1500 million francs. This would mean a total of 3765 million francs in existence in 1848. The change in the circulation after 1848 is familiar. It suffices to call attention once more to the fact that, from 1848 to 1859, net exports of silver were 1311 million francs,[1] leaving a net stock in the latter year of 2454 million francs. The net exports from 1859 to the formation of the Latin Union were 416 million francs. There was thus on hand, at the signature of the Treaty of 1865, only about 2038 millions. From 1865 to 1873 the supply slowly increased and,

[1] According to an independent estimate made in 1859, the export was even greater than this. Matigny (*De la Disparition de la Monnaie d'Argent*, Paris, 1859) estimated the destination of France's exports of silver from 1851–1857 as follows:

Destination	Francs
Spain	306,226,420
England -	243,290,220
Belgium	232,328,360
Switzerland	160,525,680
Sardinian States	130,338,620
Two Sicilies	75,839,200
Algiers -	73,662,420
English India -	30,024,900
Réunion	19,571,600
Turkey	14,555,940
Barbary States	10,917,200
Egypt -	4,569,800
German Union	3,519,000
Roman States	....
Tuscany	....
China	....
Other countries	98,102,520
	1,403,471,880

in the latter year, there was presumably in France about 2336 millions. These results may be summed up thus (in million francs):

	1815	1848	1859	1865	1873
Stock of silver in France	1500	3765	2454	2038	2336

It will be observed that this estimate makes no allowances for the loss of coin in the internal circulation by wear, by hoarding, etc. Taking now the conservative estimate of M. de Foville, in which large allowance for all these influences has been made, it it is seen that the present stock of France, 2175 to 2500 million francs, is larger by from 150 million to 500 million francs than it was in 1865, and is not far from the stock on hand in 1873. If, however, we take the estimate of Haupt, which is made up chiefly on the basis of importations and exportations, that is to say, if we follow a method identical with that just applied to the calculation of the stock existing in 1865, and in 1873, it appears that France now possesses 3520 million francs in silver, or nearly as much as she possessed in 1848, at a time when her circulation consisted exclusively of that metal. In view of this, it seems incorrect to argue that the "demonetization" of silver by the Latin Union lowered the price of silver by decreasing demand.

Again, it is worth while to look at the matter from still another point of view. The argument just developed would not be considered conclusive by those who contend that France "maintained gold and silver at a parity from 1803 to 1873 by establishing a ratio of 15½ to 1." The reply would be made that France actually possesses a stock of from 4000 to 5000 millions of francs in gold. Had free coinage continued subsequent to 1873, a "market" would have been afforded for from 4000 to 5000 millions of silver, inasmuch as a slight fall in the price of the metal would have sufficed to make it flow in and take the place of as much gold. It would be argued that this was the process which took place between 1850 and 1860, and that there is no reason why an opposite movement should not have occurred between 1870 and 1880. Were the mints of the

Latin Union open to silver at the present time, such a market would be afforded as would instantly raise the price of the metal. But the facts are against this mode of reasoning. In the course of this study, several instances have been cited where, although the law permitted payment in silver, custom demanded and enforced payment in gold. It is enough to call attention to the fact that the union has all, and more than all, the silver it can float. France is a wealthy country and is, as a rule, the creditor of other nations. If free coinage of both metals were to be allowed, it is unlikely that much gold would be lost. Gold would go to a premium, as measured in silver, and business ethics might even enforce the payment of contracts in full. Probably not a great deal more silver than is now in existence as coin could be maintained in circulation. The bank is not obliged to issue notes, or to exchange gold for deposits of silver. The only ultimate result would be a great inconvenience in business transactions, and more or less uncertainty regarding the future.

The third of the three general notions concerning the Latin Union demands but a passing notice. It is apparent after what has been said that to speak of the Latin Union as a bimetallic body is incorrect. Business is as actually on a gold basis as if there were not a piece of legal-tender silver in existence. The five-franc pieces are essentially upon the same footing as bank notes. It is only their practical equivalence to gold, due to their reception by the government and to the attitude of the Latin Union regarding their redemption, that sustains their value.

It is not difficult to predict the future of the Latin Monetary Union. Whether we accept the figures of M. de Foville or the much more pessimistic estimates of M. Haupt, the silver problem in France and the allied countries is a discouraging one. From 2.5 to 3.5 milliards of silver must be redeemed or maintained at a par with gold. Briefly, that sums up the situation. In case of liquidation, France would be obliged to demand from Belgium the redemption of at least 250 million francs in silver five-franc pieces, from Italy 270 million, from Greece 14 million. None of these countries are in condition to redeem such sums, while,

on the other hand, the amounts of French coin which they could offer by way of offset would be comparatively trifling; and, though the Treaty of 1885 reduced the amount to be directly redeemed by one half, it goes without saying that this reduction is a farce. All the smaller countries are debtors of France and there is therefore not the faintest possibility of returning one half of these enormous sums by any ordinary commercial method. On the other hand, it is impossible that France could for a moment entertain the idea of sustaining the loss on the silver coin of her allies. The smaller countries are moreover in no condition to redeem even one half of the sums mentioned, and they have comparatively few French five-franc pieces to offset against them. In order to liquidate the affairs of the union, the payment of a new indemnity would be required, but the indemnity would, in this case, be paid, not by France, but to her. It results from these facts that the Latin Union is doomed to existence in its present condition for an indefinite period, so that, although doctrinaire statements concerning the advisability of dissolving the union are frequently made, both in and out of the legislative bodies, they are quite without significance.

The Latin Union as an experiment in international monetary action has proved a failure. Its history serves merely to throw some light upon the difficulties which are likely to be encountered in any international attempt to regulate monetary systems in common. From whatever point of view the Latin Union is studied, it will be seen that it has resulted only in loss to the countries involved.

APPENDICES

APPENDIX I.

TREATY OF 1865.[1]

His majesty the king of the Belgians, his majesty the emperor of the French, his majesty the king of Italy, and the Swiss Confederation, equally animated by the desire of establishing a more complete harmony between their monetary legislative enactments to remedy the inconveniences in regard to communications and transactions between the inhabitants of their respective states, which result from the diversity of the standards of their silver fractional coin, and to contribute, by forming between them a monetary union, to the progress of uniformity of weights, measures, and money, have resolved to conclude a treaty to this effect, and have named for their commissioners plenipotentiary the following, to wit:

*   *   *   *   *   *   *   *   *

who, having had communicated to them their full powers, found in good and due form, have agreed upon the following articles:

ARTICLE 1. Belgium, France, Italy, and Switzerland are constituted a union, so far as regards the weight, fineness, diameter, and circulation (between the public treasuries) of their gold and silver coin.

ART. 2. The high contracting parties agree not to strike, or allow to be struck, with their stamp, any gold coin of other kinds than pieces of one-hundred-francs, fifty-francs, twenty-francs, ten-francs, and five-francs, determined as to weight, fineness, tolerance, and diameter, as follows:

Denomination	Weight	Tolerance	Fineness	Tolerance of fineness	Diameter
100	32.25806 gr.	.001	.900	.002	35 mm.
50	16.12903	.002	.900	.002	28
20	6.45161	.002	.900	.002	21
10	3.22580	.0025	.900	.002	19
5	1.61290	.003	.900	.002	17

They will admit without distinction into their public treasuries, gold coins fabricated under the preceding conditions, in any one of the four states, with the reservation, however, that they exclude coins whose weight may have been reduced by wear ½ per cent. below the tolerance stated above, or whose devices may have disappeared.

ART. 3. The contracting governments undertake not to fabricate, nor allow to be fabricated, silver coins of five francs except of a weight, fineness, tolerance, and diameter hereinafter determined:

[1] Italics indicate substitutions made during debate.

Weight	Tolerance	Fineness	Tolerance of fineness	Diameter
25 grams	.003	.900	.002	37 mm.

They will reciprocally receive the said pieces into their public treasuries, with the reservation, however, that they exclude those whose weight shall have been reduced by wear 1 per cent. below the tolerance stated above, or whose devices shall have disappeared.

ART. 4. The high contracting parties will not hereafter strike silver coins of two-francs, one-franc, fifty-centimes, and twenty-centimes, except under the conditions of weight, fineness, tolerance, and diameter hereinafter determined:

Denomination	Weight	Tolerance of weight	Fineness	Tolerance of Fineness	Diameter
2 francs	10 gr.	.005	.835	.003	27 mm.
1 franc	5 gr.	.005	.835	.003	23
50 centimes	2½ gr.	.007	.835	.003	18
20 centimes	1 gr.	.010	.835	.003	(15) 16

These pieces must be recoined by the governments which have issued them, when they shall be reduced by wear 5 per cent. below the tolerance stated above, or when their devices shall have disappeared.

ART. 5. Silver coins of two-francs, one-franc, fifty-centimes, and twenty-centimes, fabricated under conditions different from those which are indicated in the preceding article, shall be retired from circulation before January 1, 1869.

This limit is extended to January 1, 1878, for coins of two-francs and one-franc, emitted in Switzerland by virtue of the law of January 31, 1860.

ART. 6. Silver coins fabricated under the conditions of Art. 4, shall have legal-tender quality, between individuals of the state which fabricated them, to the amount of fifty francs at each payment.

The state issuing them shall receive them from its citizens without limitation of quantity.

ART. 7. The public treasuries of each of the four countries shall accept the silver money coined by any *one or more of the other* contracting states, conformably to Art. 4, to the amount of (50 francs) *100 francs* at each payment to the aforesaid treasuries.

The governments of Belgium, France, and Italy shall receive on the same terms until January 1, 1878, the Swiss coins of two-francs and one-franc issued in accordance with the law of January 31, 1860, which are regarded in every respect during the same period, in the same way as the coins struck under the provisions of Art. 4.

ART. 8. Each of the contracting governments undertakes to receive from individuals, or the public treasuries of the other states, the (fractional silver coins) *subsidiary silver* which it has issued, and to exchange such coin against an equal value of current coin (gold coin or silver five-franc pieces), on condition that the sum presented for exchange shall not be less than 100 francs. This obligation shall be extended two years from the expiration of the present treaty.

ART. 9. The high contracting parties shall issue silver pieces of two-francs, one-franc, fifty-centimes, and twenty-centimes, under the conditions indicated in Art. 4, only to an amount equivalent to six francs per capita. This amount, *based on the last census taken in each state and the probable increase of population up to the expiration of the present treaty*, is fixed:

For Belgium	at	(30 million)	32	million	francs.
For France	"	(228 ")	239	"	"
For Italy	"	(134 ")	141	"	"
For Switzerland	"	(16 ")	17	"	"

There are to be subtracted from the aforesaid amounts, which the governments have the right to coin, the sums already issued:

By France, under the law of May 25, 1864, in pieces of fifty-centimes and twenty-centimes, about 16 million francs.

By Italy, in accordance with the law of August 24, 1862, in pieces of two-francs and one-franc, fifty-centimes and twenty-centimes, about 100 million francs.

By Switzerland, under the law of January 31, 1860, in two- and one-franc pieces, about 10.5 million francs.

ART. 10. The date of fabrication shall hereafter be stamped on the gold and silver coin struck in the four states.

ART. 11. The contracting governments shall annually communicate the quantity of their emissions of gold and silver coin, the progress of the withdrawal and recoinage of their old (fractional) coin, as well as all the arrangements and all the administrative documents relating to coinage.

They shall likewise give information with regard to all facts which affect the reciprocal circulation of their gold and silver coins.

ART. 12. The right of joining the present convention is guaranteed to every other state which shall except its obligations and which shall adopt the monetary system of the union in regard to gold and silver coins.

ART. 13. The execution of the reciprocal engagements contained in the present convention is subordinated, so far as necessary, to the observance of the formalities and rules established by the constitutional laws of those of the high contracting parties required to bring about its application, and this application they undertake to effect as soon as possible.

ART. 14. The present convention shall remain in force until January 1, 1880. If, one year before this limit, it has not been renounced it shall

remain obligatory in full force during a new period of fifteen years, and so on, if no objection is made, fifteen years at a time.

ART. 15. The present treaty shall be ratified and the ratifications of it shall be exchanged at Paris, within six months, or sooner, if possible.

In evidence whereof, the respective commissioners plenipotentiary have signed the present treaty, and have thereto affixed their seals.

Done in four copies at Paris, December 23, 1865.

TREATY ADDITIONAL TO THE MONETARY TREATY CONCLUDED AT PARIS DECEMBER 23, 1865, BETWEEN BELGIUM, FRANCE, ITALY, AND SWITZERLAND.

His majesty the king of the Belgians, the president of the French Republic, his majesty the king of Italy, and the Federal council of the Swiss Confederation, having judged it useful in the interest of the monetary circulation of their respective countries to revise by an additional treaty the treaty which was signed between the four states December 23, 1865, have named for their commissioners plenipotentiary the following to wit:

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who, after having had their full powers communicated to them, found in good and due form, have agreed to the following articles:

ARTICLE 1. The high contracting parties engage themselves for the year 1874 not to fabricate nor to allow to be fabricated silver five-franc pieces struck under the conditions determined by Art. 3 of the convention of December 23, 1865, except to a value not to exceed the following limits, to wit:

For Belgium	12,000,000 francs
For France	60,000,000 francs
For Italy	40,000,000 francs
For Switzerland	8,000,000 francs

The mint vouchers delivered up to December 31, 1873, are to be subtracted from the sums fixed above; to wit:

By Belgium	5,000,000 francs
By France	34,968,000 francs
By Italy	9,000,000 francs

ART. 2. In addition to the contingent fixed by the preceding article the government of his majesty, the king of Italy, is authorized to allow to be coined during the year 1874 for the funds of the reserve of the Italian National Bank a sum of 20 million francs in silver five-franc pieces.

These pieces shall remain deposited under the guarantee of the Italian government in the treasuries of the National Bank of Italy until after the meeting of the monetary conference provided for by the following article:

ART. 3. In the course of the month of January 1865, there shall be held at Paris a monetary conference between the delegates of the high contracting parties.

ART. 4. The clause inserted in Art. 13 of the convention of December 23, 1865, relative to the right of admission is completed by the following arrangement: "The consent of the high contracting parties is necessary to the grant or refusal of requests for admission."

ART. 5. The stipulation contained in Art. 5 shall have the same duration as the convention of December 23, 1865.

ART. 6. The present additional convention shall be ratified and the exchange of ratifications shall be accomplished at Paris as soon as it can be done. It shall go into effect from the time that the promulgation shall have been accomplished according to the laws peculiar to each of the four states.

In evidence of which the respective plenipotentiaries have signed the present act and have thereto affixed the seal of their arms.

Done in four copies at Paris, January 31, 1874.

DECLARATION RELATIVE TO THE FABRICATION OF SILVER COIN DURING THE YEAR 1875 IN FRANCE, BELGIUM, ITALY, AND SWITZERLAND.

The undersigned delegates of the governments of France, Belgium, Italy, and Switzerland, being met in conference in execution of the additional monetary convention of January 31, 1874, and duly authorized to this effect, have under condition of the approbation of their respective governments agreed on the following provisions:

ARTICLE 1. The provisions of Art. 1 of the additional convention of January 31, 1874, relative to the limits assigned to the fabrication of silver five-franc pieces for Belgium, France, Italy, and Switzerland are continued for the year 1875.

ART. 2. The Italian government having explained the necessity in which it found itself to remelt in 1875, in order to convert into five-franc pieces, a sum of ten millions of old silver non-decimal coin, each one of the contracting governments is authorized to have coined over and above the contingent fixed by the preceding article a sum of silver five-franc pieces which shall not exceed one-fourth of the aforesaid contingent.

ART. 3. The mint vouchers delivered up to the present date are to be deducted from the contingents fixed by Art. 1.

ART. 4. Beside the contingent fixed by Art. 1 above, the Italian government is authorized to allow to be placed in circulation the sum of 20 million francs in silver five-franc pieces struck under the conditions of the additional convention of January 31, 1874, and deposited up to the present time in the treasuries of the National Bank of Italy.

ART. 5. A new monetary conference shall be held at Paris in the course of the month of January 1876, between the delegates of the contracting governments.

ART. 6. It is understood that until after the meeting of the conference had in view in the preceding article there shall be delivered no mint vouchers

for the year 1876 except to an amount not exceeding one half of the contingent fixed by Art. 1 of the present declaration.

ART. 7. The present declaration shall be in force from the time that it shall have been promulgated according to the particular laws of each one of the four states.

In token whereof the respective delegates have signed the present declaration and have thereto affixed the seal of their arms.

DECLARATION RELATIVE TO THE MINTING OF SILVER COIN DURING THE YEAR 1876, IN FRANCE, BELGIUM, GREECE, ITALY, AND SWITZERLAND, AND TO THE REPRESSION OF FALSE COINAGE.

The undersigned delegates of the governments of France, Belgium, Greece, Italy, and Switzerland, being assembled in conference in execution of Art. 5 of the monetary declaration of February 5, 1875, and duly authorized to this effect have, on condition of the approbation of their respective governments, agreed on the following provisions:

ARTICLE 1. The contracting governments agree for the year 1876 not to fabricate, or allow to be fabricated, silver five-franc pieces struck under the conditions determined by Art. 3 of the convention of December 24, 1865, except to an amount not exceeding the sum of 120 millions of francs, fixed by Art. 1 of the additional convention of January 31, 1874.

ART. 2. The said sum of 130 million francs is divided as follows: (1) For Belgium, 10.8 million; France, 54 million; Italy, 36 million; Switzerland, 7.2 million. (2) So far as it regards Greece, which by a declaration of September 26, 1868, has agreed to the convention of December 23, 1865, the contingent fixed for this state, proportionately to those of the other contracting governments, is set at the sum of 3.6 million francs. (3) Beside the contingent fixed in the preceding paragraph, the Greek government is exceptionally authorized to have coined and to put in circulation within its territory during the year 1876, a sum of 8.4 million francs in silver five-franc pieces, this sum being destined to facilitate the displacement of the different moneys actually in circulation by the silver five-franc pieces struck under the conditions determined by the convention of 1865.

ART. 3. The mint vouchers delivered up to the present date under the conditions determined by Art. 6 of the declaration of February 5, 1875, are to be subtracted from the contingents fixed by paragraph 1 of the preceding article.

ART. 4. A new monetary conference shall be held at Paris in the course of the month of January 1877 between the delegates of the contracting governments.

ART. 5. Until after the meeting of the conference provided for in the preceding article there shall be delivered no mint vouchers except to an amount not exceeding one-half the quotas fixed by paragraphs 1 and 2 of the present declaration.

ART. 6. Art. 11 of the convention of December 24, 1865, concerning

the exchange of communications relative to monetary facts and documents is completed by the following provision:

The contracting governments shall reciprocally give one another information of the facts which may come to their knowledge on the subject of the alteration and counterfeiting of their gold and silver coins in the countries which are or are not part of the monetary union, particularly in so far as regards the proceedings instituted and the penalties inflicted.

They shall agree together upon measures to be taken in common in order to prevent alterations and counterfeits, to repress them, above all, wherever they may be produced, and to hinder the renewal of them.

ART. 7. The present declaration shall be put in operation from the time that it shall be promulgated according to the particular laws of each one of the five states.

In evidence of which the respective delegates have signed the present declaration and have thereto affixed the seal of their arms.

Done in five copies at Paris, February 3, 1876.

TREATY OF 1878.

His majesty the king of the Belgians, the president of the French Republic, his majesty the king of the Greeks, his majesty the king of Italy, and the Federal Council of the Swiss Confederation, desiring to maintain the monetary union established between the five states and recognizing the necessity of embodying in the convention of 1865 modifications demanded by circumstances have resolved to conclude for this purpose a new convention and have named for their plenipotentiaries the following, to wit:

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who, after having had their respective full powers communicated to them, found in good and due form, have decided on the following articles:

ARTICLE 1. Belgium, France, Greece, Italy, and Switzerland remain constituted a union so far as regards the fineness, weight, diameter, and circulation of their coined money of gold and silver.

ART. 2. The denominations of the gold coin struck with the stamp of the high contracting parties are those of the pieces of one hundred francs, fifty, twenty, ten, and five francs, determined as to fineness, weight, tolerance, and diameter as follows:

Denomination	Fineness	Tolerance of fineness	Weight	Tolerance of weight	Diameter
100	.900	.002	32.25806 gr.	.001	35 mm.
50	.900	.002	16.12903	.001	26
20	.900	.002	6.45161	.002	22
20	.900	.002	3.22580	.002	19
5	.900	.002	1.61290	.003	17

The contracting governments will admit without distinction into their public treasuries the gold coins fabricated under the preceding conditions in any one of the five states on condition always of excluding the coins whose weight shall have been reduced by wear 5 per cent. below the tolerance indicated above or from which the devices shall have disappeared.

ART. 3. The denomination of the five-franc silver pieces struck with the stamp of the high contracting parties is determined as to fineness, weight, diameter, and tolerance as follows:

Denomination	Fineness	Weight	Tolerance of fineness	Tolerance of weight	Diameter
5	.900	25 gr.	.002	.003	37 mm

The contracting governments shall reciprocally receive into their public treasuries the said silver five-franc pieces on condition of excluding those whose weight shall have been reduced by wear 1 per cent. below the tolerance indicated above or whose devices shall have disappeared.

ART. 4. The high contracting parties agree not to fabricate silver coins of two-francs, one-franc, fifty-centimes, and twenty-centimes except under the conditions of fineness, weight, diameter, and tolerance hereinafter determined:

Denomination	Fineness	Tolerance of fineness	Weight	Tolerance of weight	Diameter
2	.835	.003	10 gr.	.005	27 mm.
1	.835	.003	5	.005	23
50	.835	.003	250	.007	18
20	.835	.003	100	.010	16

These coins shall be recoined by the governments which shall have emitted them when they shall be reduced by wear to 5 per cent. below the tolerance indicated above, or when their devices shall have disappeared.

ART. 5. The silver coins fabricated under the conditions of Art. 5 shall have legal-tender quality between the individuals of the state which has emitted them up to the amount of fifty francs at each payment. The state which has put them in circulation shall receive them from its inhabitants without limitation of quantity.

ART. 6. The public treasuries of each one of the five states shall accept the silver coin fabricated by one or more of the other contracting states in conformity to Art. 4 to the amount of 100 francs for each payment made the aforesaid treasuries.

ART. 7. Each one of the contracting governments engages itself to take back from individuals, or the public treasuries of the other states, the silver subsidiary coin which it has emitted, and to exchange it against an equal

value of current money in gold pieces or pieces of silver fabricated under the conditions of Articles 2 and 3, on condition that the sum presented for exchange shall not be less than 100 francs. This obligation shall be binding for the space of one year from the expiration of the present convention.

ART. 8. The Italian government having declared its willingness to suppress its fractional paper currency of denominations less than five-francs, the other contracting states, in order to facilitate this operation for it, engage themselves to retire from circulation and cease to receive into their public treasuries the subsidiary silver Italian coins.

These coins shall be anew admitted into the public treasuries of the other contracting states from the time that the régime of the forced circulation of paper money shall have been terminated in Italy.

It is understood that, when the operations relative to the withdrawal of the international circulation of the Italian subsidiary coins shall have ceased, the application of the provisions of Art. 7 shall be suspended with regard to Italy.

ART. 9. The coinage of gold pieces fabricated under the conditions of Art. 2, with the exception of that of the gold five-franc pieces which remain provisionally suspended, is free for each one of the contracting states.

The coinage of silver five-franc pieces is provisionally suspended. It shall be resumed when a unanimous agreement shall be established on this point between all the contracting states.

ART. 10. The high contracting parties cannot emit silver coins of two-francs, one-franc, fifty-centimes, and twenty-centimes, struck under the conditions indicated in Art. 4, except to an amount corresponding to six francs per capita.

This figure estimated according to the last returns made in each state is fixed for Belgium at 33 million francs; for France at 240 million francs; for Italy at 170 million francs; for Greece at 10.5 million francs; for Switzerland at 8 million francs. The amounts heretofore coined by the contracting states up to the present date, are to be subtracted from the above sums.

ART. 11. The date of fabrication shall be inscribed, in rigorous conformity with the actual date of coining, on the gold and silver coins struck in the five states.

ART. 12. The contracting governments shall annually communicate to one another the amount of their emissions of gold and silver as well as all the decrees and all the documents relative to moneys.

They shall equally advise one another of all the facts which are of interest in regard to the reciprocal circulation of their coined moneys of gold and silver, and especially of all that shall come to their knowledge on the subject of counterfeiting, or of alterations of their coins in the countries which do or do not form part of the union, notably in whatever concerns the methods employed, the proceedings instituted, and the penalties inflicted; they shall concert measures to be taken in common to prevent counterfeits and alterations,

to repress them, especially where they are produced, and to hinder their renewal.

They shall take also the measures necessary to hinder the circulation of counterfeit or altered coins.

ART. 13. Every demand for admission to the present convention made by a state which shall accept its obligations, and which shall adopt the monetary system of the union cannot be granted but by the unanimous consent of the high contracting parties.

ART. 14. The execution of the reciprocal engagements contained in the present treaty is subordinated to the accomplishment of the formalities and rules established by the constitutional laws of the high contracting parties, who are required to enforce the application of it, and this they undertake to do in the briefest time possible.

ART. 15. The present convention shall go into effect on and after January 1, 1880, and shall remain in force until January 1, 1886.

If, one year before the expiration of this period, it has not been renounced, it shall continue in full force by tacit continuation, and shall remain binding until the expiration of one year after the renunciation shall be made.

ART. 16. The present convention shall be ratified and the ratifications of it shall be exchanged at Paris within the space of eight months, or sooner if possible.

In evidence of which, the respective plenipotentiaries have signed the treaty and have thereto affixed the seal of their arms. Done in five copies at Paris, November 5, 1878.

ARRANGEMENT RELATIVE TO THE EXECUTION OF ARTICLE 8 OF THE MONETARY TREATY OF NOVEMBER 5, 1878.

The governments of Belgium, France, Greece, Italy, and Switzerland, having with one common accord resolved to execute, before the enforcement of the monetary treaty concluded on the present date between the five states, the provisions contained in paragraph 1 of Art. 8 of the said convenvention, provisions thus expressed:

The Italian government having declared its willingness to suppress all fractional paper currency of denominations less than five francs the other contracting states engage themselves, in order to facilitate this operation for it, to retire from circulation and cease to receive into their public treasuries, the subsidiary silver Italian coins:

The undersigned, duly authorized, have agreed to the following articles:

ARTICLE 1. The retirement of the Italian coins of twenty- and fifty-centimes, one-franc and two-francs, which exist in Belgium, France, Greece, Italy, and Switzerland, must be completed before December 1, 1879. After this date these coins shall cease to be received in the public treasuries of the before-mentioned states.

ART. 2. The coin retired in Belgium, Greece, and Switzerland shall in the month which shall follow the completion of the retirement be remitted to the French government, which, undertaking to centralize it in order to transmit it to the Italian government, shall reimburse the governments of the three aforesaid states in cash, including the expenses.

ART. 3. The account of the coins retired from circulation in Belgium, France, Greece, and Switzerland, shall be closed between France and Italy on January 31, 1880.

The French and Italian governments having estimated the amount of the fractional Italian coins existing in the four states at the sum of 100 millions, of which 13 millions are in Belgium, Greece, and Switzerland, and 86 millions in France, this account will comprehend at first a maximum aggregate of 13 millions of coins coming from Belgium, Greece and Switzerland, and a maximum aggregate of 87 millions of coins retired from circulation in France. It shall comprehend afterward and separately the excess over these sums if any.

The said sum of 100 millions and the possible excess provided for in the preceding paragraph shall be carried to the credit of the Italian government in a running account on which the interest shall be computed at the rate of 3 per cent. a year payable in coin, starting from the day when the coin retired shall have ceased to circulate in the four states.

ART. 5. The redemption by the Italian government of the coin which shall have been remitted to it, up to the sum of 100 millions (forming the first part of the account provided for in Art. 3), shall take place at Paris. It shall be effected either in gold or silver five-franc pieces or in bills of exchange on Paris or in vouchers of the Italian treasury payable at Paris and shall be made under the following conditions:

(1) In cash, coin coming from Belgium, Greece, and Switzerland	13 m	30.00
" " " " " France	87 m	
(2) During the year 1881		23.3
" " " 1882 -		23.3
" " " 1883		23.4
		100.0

The Italian government reserves to itself, however, the freedom of paying up the debt in advance.

ART. 6. If in the operation of retirement there turns out an excess of coin over and above the 13 and 87 millions provided for in Articles 3 and 4 the excess shall be held at the disposal of the Italian government which shall remit the equivalent in cash when it shall receive such excess.

ART. 7. The Italian government agrees, conformably to its determination announced in paragraph 1 of Art. 8 of the monetary treaty, concluded on the present date, to retire from circulation and destroy,—at the latest, within the

six months which shall follow the remittance of the whole of the fractional coin forming the subject of Art. 5,—the whole of its fractional notes of denominations less than five-francs. It undertakes, moreover, with the view of a definite re-establishment of its metallic circulation not to remit new ones.

In execution of Art. 12 of the before-mentioned monetary convention the Italian government shall communicate to the three governments of the union a statement of the amounts which it shall have retired and melted and that within the space of four months after the accomplishment of these operations.

ART. 8. The Italian government shall reimburse to the French government at the same time with the first of the annual payments specified in Art. 5, the expenses of every kind (including the cost of transportation to the frontier) to which the operations provided for by the present arrangement shall give rise, these expenses in no case to exceed the sum of 250,000 francs.

ART. 9. The present arrangement shall be ratified and the ratifications shall take place at Paris at the same time with those of the monetary convention concluded on the present date between the five states.

In evidence of which the undersigned have signed the present arrangement and have thereto affixed the seal of their arms.

Done in five copies at Paris, November 5, 1878.

PROTOCOL.

At the moment of proceeding to the s gnature of the arrangement relative to the execution of Art. 8 of the monetary convention concluded on the present date between Belgium, France, Greece, Italy and Switzerland, the undersigned plenipotentiaries of the president of the French Republic, and his majesty the king of Italy, wishing to fix with one common accord the precise meaning of the words "in cash" inserted in Articles 5 and 6 of the said arrangement, have in the name of their respective governments decided and agreed on what follows:

1. So far as concerns Art. 5, the reimbursement to the Italian government of the 13 millions representing the amount of the fractional coin coming from Belgium, Greece, and Switzerland, shall be effected in the first fifteen days of the month of January 1880.

The reimbursement of the 17 millions representing the amount of the coin coming from France shall be effected in the course of the year 1880.

2. So far as concerns Art. 6, the reimbursement in cash of the sum representing the equivalent of the coins composing the possible excess above the 100 millions shall be effected, as stipulated in Art. 5 at Paris, either in gold or silver five-franc pieces, or bills on Paris, or Italian treasury vouchers payable at Paris.

The present Protocol, which shall be considered as approved and sanctioned

by the respective governments, without other special ratification, by the sole fact of the exchange of ratifications on the monetary arrangement to which it relates, has been prepared in two copies, at Paris, November 5, 1878.

DECLARATION RELATIVE TO THE MINTING OF SILVER COIN DURING THE YEAR 1879.

The undersigned delegates of the governments of Belgium, France, Greece, Italy, and Switzerland, being united in conference in execution of Art. 4 of the monetary declaration of February 5, 1876, of which the application had by common consent been put off until the year 1878, and duly authorized to this effect, have, on condition of the approbation of their respective governments, agreed on the following provisions:

ARTICLE 1. The governments of France, Greece, Italy, and Switzerland engage themselves for the year 1879 not to fabricate or allow to be fabricated silver five-franc pieces.

ART. 2. The Italian government is allowed to have coined during the year 1879 an extraordinary sum of 20 million francs in silver five-franc pieces.

ART. 3. The five contracting governments engage themselves not to deliver mint vouchers during the year 1879.

The present declaration, to go into effect after January 1, 1879, shall be ratified and the ratifications shall be exchanged so soon as it can be done.

In evidence of which the respective delegates have signed the present declaration and have affixed thereto the seal of their arms.

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ACT ADDITIONAL TO THE ARRANGEMENT RELATIVE TO THE EXECUTION OF ARTICLE 8 OF THE MONETARY CONVENTION OF NOVEMBER 5, 1878.

The governments which signed the monetary treaty of November 5, 1878, having thought that they ought to leave to Italy the power to postpone to such time as she may consider convenient, the retirement of its fractional paper currency of denominations less than five-francs anticipated by Art. 8 of the aforesaid treaty.

The undersigned, duly authorized to this effect, have agreed on the following provisions:

ARTICLE 1. The Italian subsidiary silver coins retired from circulation in Belgium, in France, in Greece, and in Switzerland, and placed on deposit by the French government agreeably to Art. 2 of the arrangement subjoined to the monetary convention of November 5, 1878, shall be held at the disposal of the Italian government. The account of these coins shall be settled between France and Italy on January 31, 1880.

ART. 2. The French government shall ship these coins to the Italian government at the localities which it shall indicate upon its frontier or to Civita-Vecchia.

The coin coming from Belgium, Greece, and Switzerland, whose amount is estimated at the sum of 13 millions, shall be shipped, to the aggregate amount of the aforesaid sum, during the first fifteen days of the month of January 1880.

The balance of the coins retired after the account has been settled between France and Italy shall be shipped during the first six months of the same year, 1880.

ART. 3. The redemption by the Italian government of the coins which shall have been remitted to it shall be accomplished either in gold or in silver five-franc pieces or in bills on Paris, or in Italian treasury obligations payable at Paris, and shall be made at the following times: (1) During the first fifteen days of the month of January 1880, the sum of 13 millions representing the redemption value of the coins coming from Belgium, Greece, and from Switzerland; (2) During the course of the year 1880, the sum of 17 millions; (3) During the course of each one of the years 1881, 1882, and 1883, one-third of the sum representing the balance of the amount of the coin retired, the said sum bearing a maximum interest of 3 per cent. per annum payable in coin from the date of shipment of the coin.

The Italian government reserves to itself, furthermore, the power to liquidate in advance.

ART. 4. In case the Italian government should express a desire to postpone the receipt of coins other than the 13 millions coming from Belgium, Greece, and Switzerland, the French government, upon notification which shall be addressed to it as to the matter before December 31, 1879, undertakes to reserve them in whole or in part, in order to hold them at any moment at the disposal of the Italian government until the dates of maturity fixed by the preceding article for the redemption, in consideration of a maximum interest of ½ per cent., payable in coin, to run from January, 1, 1880, to the date of the delivery of the coins.

ART. 5. The effective circulation including both subsidiary silver coin and notes of denominations less than five-francs shall not exceed the figure of six francs per capita stipulated in Art. 10 of the treaty of November 5, 1878.

In consequence, the coins which shall have been returned to the Italian government, as has been said in Articles 2 and 4 of the present act, shall not be issued for circulation except to serve in exchange for notes of denominations less than five-francs, at the time of the legal retirement of the aforesaid notes.

ART. 6. The Italian government shall reimburse to the French government, at the same time as the balance of the amount of the coins which shall have been returned to it, the expenses of every kind, including the expenses of transportation to the frontier, to which the operations provided for in the present additional act, as well as by Articles 1 and 2 of the arrangement

annexed to the treaty of November 5, 1878, these expenses not to exceed, in any case, the sum of 250,000 francs.

ART. 7. The present additional act is intended to replace Articles 3, 4, 5, 6, 7, and 8, of the arrangement of November 5, 1878, in case the Italian government shall demand its application at the time when the ratifications of the said treaty shall be exchanged.

ART. 8. The present act, additional to the monetary arrangement of November 5, 1878, shall be ratified, and the ratifications of it shall be exchanged at Paris at the same time with those of the said arrangement.

In evidence of which, the undersigned have prepared the present act, to which they have affixed the seal of their arms.

Done at Paris, June 20, 1879.

TREATY OF 1885.

The president of the French Republic, his majesty the king of the Greeks, his majesty the king of Italy, and the Federal Council of the Swiss Confederation,

Desiring to maintain the monetary union established between the four states, and recognizing the necessity of modifying and completing, on certain points, the Convention of November 5, 1878, have resolved to conclude to this effect a new treaty, and have named for their plenipotentiaries the following, to wit:

* * * * * * * * *

who, after having had communicated to them their full powers, found in good and due form, have settled on the following articles:

ARTICLE 1. France, Greece, Italy, and Switzerland remain constituted a union so far as regards the fineness, weight, diameter, and tolerance and circulation of their coined money of gold and silver.

ART. 2. The denominations of coined gold struck with the stamp of the high contracting parties are those of one-hundred-francs, fifty-francs, twenty-francs, ten-francs, five-francs, and determined as to fineness, weight, tolerance, and diameter as follows:

Denomination	Fineness	Tolerance of fineness	Weight	Tolerance of weight	Diameter
100	.900	.001	32.25806 gr.	.001	35 mm.
50	.900	.001	16.12903	.001	28
20	.900	.001	6.45161	.002	21
10	.900	.001	3.22580	.002	19
5	.900	.001	1.61290	.003	17

The contracting governments will admit without distinction into their public treasuries the gold pieces fabricated under the preceding conditions in any

one of the four states, under condition of excluding always those coins whose weight shall have been reduced by wear ½ per cent. below the tolerance indicated above, or whose impressions shall have disappeared.

ART. 3. The type of the silver coin of five-francs struck with the stamp of the high contracting parties is determined as to fineness, weight, tolerance, and diameter as follows:

Fineness	Tolerance of fineness	Weight	Tolerance of weight	Diameter
900	2	25	3	37

The contracting governments shall reciprocally receive into their treasuries the said silver five-franc pieces.

Each one of the contracting states engages itself to redeem from the public treasuries of the other states the silver five-franc pieces whose weight shall be reduced by wear 1 per cent. below the legal tolerance, provided that they have not been fraudulently altered, and that their impressions have not disappeared.

In France the silver five-franc pieces shall be received in the treasuries of the Bank of France for account of the treasury, as is provided by the letters exchanged between the French government and the Bank of France on the dates of October 31 and November 2, 1885, and annexed to the present treaty.

This engagement is undertaken during the life of the present treaty as it has been fixed by paragraph 1 of Art. 13, and without the bank's being bound at the expiration of this period by the clause of tacit renewal provided in paragraph 2 of this same article.

In case the provisions concerning the legal-tender quality of the silver five-franc pieces, struck by the other states of the union, should be withdrawn either by Greece, Italy, or Switzerland during the time of the engagement undertaken by the Bank of France, the power or powers which shall have acted counter to these provisions, agree that their banks of emission shall receive the silver five-franc pieces of the other states of the union under conditions identical with those under which they receive silver five-franc pieces coined with the national stamp.

Two months before the expiration of the term assigned for the renunciation of the treaty, the French government shall make known to the states of the union whether or not it is the intention of the Bank of France to continue or to cease the fulfillment of the agreement hereto subjoined. In default of such communication, the agreement of the Bank of France shall be subjected to the provision for tacit renewal.

ART. 4. The high contracting parties undertake not to fabricate silver coins of two-francs, one-franc, fifty-centimes, and twenty-centimes except

under the conditions of fineness, weight, tolerance, and diameter hereinafter determined :

Denomination	Fineness	Tolerance of fineness	Weight	Tolerance of weight	Diameter
2fr.	.835	.003	10 gr.	.005	27 mm.
1fr.	.835	.003	5	.005	23
50c.	.835	.003	2.50	.007	18
20c.	.835	.003	1.00	.010	16

These pieces shall be recoined by the governments which shall have emitted them, when they shall be reduced by wear ½ per cent. below the tolerance indicated above, or when their impressions shall have disappeared.

ART. 5. The silver coins fabricated under the condition of Art. 4 shall have legal-tender quality between individuals of the state which has emitted them up to fifty francs at each payment made the said treasuries.

ART. 7. Each of the contracting governments agrees to receive from individuals, or from the public treasuries of the other states, the subsidiary silver coin which it has emitted, and to exchange them against an equal value of the current coin in pieces of gold or silver fabricated under the conditions of Articles 2 and 3, on condition that the sum presented for exchange shall not be smaller than 100 francs. This obligation shall be prolonged during one year after the expiration of the present treaty.

ART. 8. The coinage of gold pieces, fabricated under the conditions of Art. 2, with the exception of that of the gold five-franc pieces which remains provisionally suspended, is free for each one of the contracting states.

The coinage of silver five-franc pieces is provisionally suspended.

It can be resumed only when a unanimous accord shall be established on the subject between all the contracting states.

If any one of the contracting states wishes to resume the free coinage of silver five-franc pieces, it shall always have the power to do so on condition of exchanging or reimbursing during the whole duration of the present treaty in gold and at sight, to the other contracting countries, upon their demand, the silver five-franc pieces struck with its impression and circulating within their territory. Further, the other states shall be free no longer to receive the five-franc pieces of the state which shall resume the coinage of the said pieces. The state which wishes to resume this coinage shall in the first place summon a meeting of its allies to regulate the conditions of the resumption without, however, the power mentioned in the preceding paragraph being subordinated to the establishment of an understanding, and without the condition of exchange and reimbursement mentioned in the preceding paragraph being modified. In default of an understanding and while claiming the benefit of the stipulations which precede, with regard to the state which shall resume

the free coinage of silver five-franc pieces, Switzerland reserves to itself the power to secede from the union before the expiration of the present treaty. This power is always subject to the double condition :

1. That during four years after the ratification of the present treaty Art. 14 and the annexed arrangement shall not be applicable with regard to the states which shall have resumed the free coinage of silver five-franc pieces and,

2. That the silver coin of the same states shall continue during the same period to circulate in Switzerland conformably to the stipulations of the present convention.

On its side, Switzerland agrees not to resume during the same period of four years the free coinage of silver five-franc pieces.

The Swiss federal government is authorized to continue the recoinage of the old emissions of Swiss silver five-franc pieces up to an amount of ten million francs but on condition that it undertakes to effect at its own expense the retirement of the old coins.

ART. 9. The high contracting parties cannot emit coins of two-francs, one-franc, fifty-centimes, and twenty-centimes struck under the conditions indicated by Art. 4, except to an amount corresponding to six francs per capita.

This figure, taking account of the last returns effected in each state and of the normal increase of population, is fixed:

For France	256,000,000
For Greece -	15,000,000
For Italy	182,000,000
For Switzerland	19,000,000

The quantities emitted by the contracting governments up to the present date shall be subtracted from these figures.

The Italian government is exceptionally authorized to have coined a sum of 20 millions in fractional silver coins, this sum being destined to ensure the replacement of the old coin by pieces struck under the conditions of Art. 4 of the present treaty.

The Swiss federal government is authorized by special permission, regard being had to the needs of the population, to have fabricated a sum of six millions of fractional silver coin.

ART. 10. The date of fabrication shall be inscribed on the pieces of gold and silver struck in the four states, in rigorous conformity with the date of coinage.

ART. 11. The government of the French Republic accepts the duty of centralizing all the administrative and statistical documents relative to the emissions of coin, to the production and consumption of the precious metals, to the monetary circulation, to counterfeiting, and to the alteration of the

moneys. It shall communicate them to the other governments and the contracting countries shall take counsel together, if it is expedient, on measures proper to give these returns all desirable exactness so as to prevent counterfeiting and alteration of moneys and to ensure its repression.

ART. 12. No request for admission to the present treaty made by a state which shall accept the obligations and shall adopt the monetary system of the union, can be accepted but by the unanimous consent of the high contracting parties.

These latter engage themselves to retire or refuse legal-tender quality to the five-franc pieces of the states which do not form part of the union. These coins cannot be accepted either into the public treasuries or into the banks of emission.

ART. 13. The present treaty shall go into effect after January 1, 1886, and shall remain in force up to January 1, 1891.

If, one year before this time, it has not been renounced it shall be extended in full force from year to year by tacit renewal, and shall continue to be obligatory during one year after the January 1st which shall follow the renunciation.

ART. 14. In case of the renunciation of the present treaty each of the contracting states shall be held to receive back the silver five-franc pieces which it shall have emitted and which shall be in circulation or in the public treasuries of the other states, on condition of paying to these states a sum equal to the nominal value of the coin received back, the whole under conditions determined by a special arrangement which shall remain annexed to the present treaty.

ART. 15. The present treaty shall be ratified; the ratifications shall be exchanged at Paris so soon as it can be done, and at the farthest on December 30, 1885.

In evidence of which, the respective plenipotentiaries have signed the present treaty and have thereto affixed the seal of their arms.

Done in four copies at Paris, November 6, 1885.

ARRANGEMENT RELATIVE TO THE EXECUTION OF ARTICLE 14 OF THE TREATY OF NOVEMBER 6, 1885.

The governments of France, Greece, Italy, and Switzerland, wishing to regulate by a special arrangement the execution of the clause of liquidation inserted in Art. 14 of the monetary treaty concluded between them on the present date, the undersigned, duly authorized to this effect, have agreed to the following provisions:

ARTICLE 1. During the year which shall follow the expiration of the treaty the respective exchange and return of the silver five-franc pieces existing in equivalent quantities in the different states shall proceed.

ART. 2. The accounts of coin retired shall be conducted:

In France at Paris or Marseilles.

In Greece at Athens.

In Italy at Rome, Genoa, Milan, or Turin.

In Switzerland at Berne, Basle, Geneva, or Zurich.

ART. 3. Each one of the contracting states shall retire from circulation the silver five-franc pieces bearing the devices of the other states of the union. This retirement shall be accomplished October 1 of the year which shall follow the expiration of the present treaty.

After this date all the silver coin above mentioned may be refused by the public treasuries other than those in the country emitting the coins.

The state which shall continue to admit them cannot receive them except for its own private account and not for that of the state which shall have emitted them.

January 1 of the following year, after the redemption has been effected, the account of coin retired from circulation shall cease according to nationality, in each one of the states, and reciprocal notification shall be given. The balance, if there exists one at this date, shall be kept by the state which holds the coin, at the disposition of the state which shall have struck the coin. This state shall retire its coins, redeeming them at their face value.

ART. 4. The redemption stipulated in the preceding article shall be accomplished in gold, or in silver five-franc pieces struck with the stamp of the creditor state, or in bills of exchange payable in that state either in these same coins or in the bank notes having legal circulation there.

This redemption may be divided into payments arranged in trimonthly periods so that the account shall be balanced in a maximum length of five years after the expiration of the treaty. These obligations can always be anticipated in whole or in part.

There shall be made good on the sums to be redeemed 1 per cent. per year during the second, third, and fourth years and 1.5 per cent. during the fifth year.

This interest shall be calculated from January 15, the day of the decree fixing the sum to be retired and, in case of the anticipation of the obligations, it shall undergo a proportional diminution.

ART. 5. All expenses of transportation as well of the balance of silver coin to be returned as of the securities or coin destined to redeem it, shall be borne by each state as far as its own frontier.

ART. 6. In partial derogation from the preceding provisions and for the purpose of taking account of the exceptional situation of Switzerland it is agreed:

1. That the silver five-franc pieces emitted by France and retired from circulation in Switzerland shall be shipped by the federal government to the

French government which shall effect their redemption from Switzerland under the conditions hereinafter determined:

The French government shall reimburse successively at sight in Swiss silver coins of five-francs or in gold pieces of ten-francs and under, struck under the conditions of the treaty, and from the commencement of the year which shall follow the expiration of the said treaty, all the shipments of silver five-franc pieces emitted by France and retired from circulation in Switzerland, on condition that the amount of each one of these shipments shall not be less than one million nor more than ten million francs. The final balance alone may be less than one million francs.

The reimbursements to be effected in gold by the French government to the federal government for the retirement of French silver five-franc pieces shall not exceed the sum of 60 million francs.

2. That the silver five-franc pieces emitted by Italy and retired from circulation in Switzerland shall be remitted by the federal government to the Italian government which, from the commencement of the year which shall follow the expiration of the treaty, shall reimburse them successively at sight in Swiss silver five-franc pieces and in gold pieces of ten-francs or less struck under the conditions of said treaty, or in bills of exchange at sight on Berne, Basle, Geneva, or Zurich, payable under the conditions provided in paragraph 1 of Art. 4 of the present arrangement. The total of each of these shipments of Italian five-franc pieces shall not be less than 500,000 francs nor more than two million francs except the settlement of the final balance.

The successive reimbursements to be made by the Italian government to the federal government ought as a general rule to be composed to the extent of two-thirds or less of gold coin and Swiss silver five-franc pieces and the remainder in bills of exchange under the condition determined in the preceding article.

If exception is made to this rule the proportion shall be re-established on the occasion of the following reimbursement.

The Italian government shall not, however, be held to reimburse in gold or Swiss silver five-franc pieces to the federal government a sum exceeding a total of twenty millions and the total of reimbursements to be effected in coin and bills by the Italian government to the federal government, for the whole of the operation of retirement and of exchange of the Italian silver five-franc pieces circulating in Switzerland, shall not exceed the sum of 30 million francs.

ART. 7. The present arrangement shall be ratified and the ratifications of it shall be exchanged at Paris at the same time with those of the monetary treaty concluded on the present date between the four states.

In evidence of which the undersigned have signed the present agreement and have affixed thereto the seal of their arms.

Done in four copies at Paris, November 6, 1885.

DECLARATION.

1. The Hellenic government referring to the different stipulations of Art. 8 of the monetary convention of this date and desirous of giving on its side to the duration of the union all the guarantees in its power, makes the following agreement:

So long as the *cours forcé* shall be maintained in Greece, the Greek government will not resume the free coinage of silver. After the conclusion of the *cours forcé*, it will not resume the free coinage without a preliminary understanding with France and Italy.

2. The Swiss federal government declares that the obligation stipulated in the second paragraph of Art. 12 of the monetary treaty concluded on the present date cannot be put into execution in Switzerland except in conformity to the federal legislation on banks of emission.

An official certificate of this reservation is given by the federal Swiss government.

In sign of which the undersigned plenipotentiaries duly authorized to this effect have signed the present declaration which shall be considered as approved and sanctioned by the respective governments without other special ratification by the sole fact of the exchange of ratifications on the monetary treaty to which it relates.

Done in four copies at Paris, November 6, 1885.

ACT DATED DECEMBER 12 ADDITIONAL TO THE MONETARY TREATY SIGNED NOVEMBER 6, 1885, BETWEEN FRANCE, GREECE, ITALY, AND SWITZERLAND.

The governments which signed the monetary treaty concluded at Paris, November 6, 1885, having agreed to leave to Belgium the power of re-entering as a contracting party the union, reconstituted by this treaty, and the Belgian government, desiring to profit by this power:

The undersigned, duly authorized to this effect, have agreed on the following provisions:

ARTICLE 1. The Belgian government adheres to the monetary treaty signed at Paris, November 6, 1885, between France, Greece, Italy, and Switzerland, as well as to the declaration and to the arrangement which are thereto annexed.

On their side, the governments of France, Greece, Italy, and Switzerland make record of the adherence of the Belgian government and give their assent thereto.

ART. 2. The National Bank of Belgium shall receive the silver five-franc pieces during the duration of the treaty as it has been determined for the Bank of France by Art. 3 of the treaty.

ART. 3. The quota of silver coin of two-francs, one-franc, fifty-centimes, and twenty-centimes which can be struck and emitted by Belgium under the conditions of Articles 4 and 9 of the treaty is fixed at 35.8 million francs. The amounts already emitted up to this time by the Belgian government shall be subtracted from this sum. As an exceptional measure, Belgium is authorized to fabricate coins of these denominations up to the amount of five million francs by means of the silver five-franc pieces which she will recoin.

ART. 4. In partial derogation from Articles 3 and 4 of the arrangement annexed to the Treaty of November 6, the following arrangements are agreed to by way of compromise:

If, on the date of January 15, indicated in paragraph 3 of Art. 3 of the said arrangement, the French government finds itself, after the compensation has been effected, the holder of a balance of Belgian silver five-franc pieces, this balance shall be divided into two equal parts.

The Belgian government shall be held to the reimbursement of one-half of this balance conformably to Art. 5 of the arrangement.

It engages itself not to introduce into its monetary régime any change which can hinder the return of the other half by way of commerce and the exchanges. This agreement shall have a duration of five years from the expiration of the union. Belgium can put an end to this by accepting the obligation of reimbursing this second half under the conditions provided by Art. 4 of the arrangement. In every case, the Belgian government reserves to itself the power of introducing into its monetary legislation the changes which may be introduced into the French monetary legislation.

The Belgian government guarantees that the balance shall not exceed 200 million francs. If there be an excess, it shall be reimbursed under the conditions provided by Art. 4 of the arrangement.

In case the Belgian government should, on the contrary, find itself at the time of the dissolution of the union the holder of a balance of French silver five-franc pieces, the French government reserves to itself the power to demand from Belgium the application of the agreement stipulated in the present article.

ART. 5. The French and Italian governments reserve the power again to demand the enforcement of the provisions stipulated in the preceding article for the regulation of their reciprocal accounts at the moment of the dissolution of the union, the maximum of the balance being fixed between them at the same figure of 200 million francs.

ART. 6. Belgium undertakes to reimburse to Switzerland, successively, at sight, in Swiss silver five-franc pieces, or in gold pieces of ten-francs or less, struck under the conditions of the treaty, from the commencement of the year which shall follow the expiration of the aforesaid treaty, all the

shipments of silver five-franc pieces emitted by Belgium and retired from circulation by Switzerland. The amount of each one of these shipments shall not be less than one million nor more than two million francs; the final balance alone may be less than one million francs. The reimbursements to be effected in gold or in Swiss silver five-franc pieces by the Belgian government to the federal Swiss government for the retirement of the Belgian silver five-franc pieces shall never exceed the sum of six million francs.

If the balance to be liquidated shall exceed the sum of six million francs, Belgium engages herself not to introduce into her monetary régime any change of such nature as would hinder the return of the said excess by the way of commerce or the exchanges, during a period of five years after the expiration of the union or during such a period as shall be agreed between France and Belgium for the same purpose.

ART. 7. In case of the dissolution of the union the liquidating books to be opened for the execution of the arrangement annexed to the Treaty of November 6, 1885, shall be conducted in France at Paris, Lille, Lyons, or Marseilles; in Belgium at Brussels or Antwerp.

ART. 8. The present act, additional to the monetary Treaty of November 6, 1885, shall be ratified and the ratifications shall be exchanged at Paris at the same time with those of the said treaty.

DECLARATION OF DECEMBER 12, 1885.

At the moment of proceeding to the signing of the act additional to the treaty signed between Belgium, France, Greece, Italy, and Switzerland, November 6, 1885, the undersigned plenipotentiary of his majesty the king of the Greeks, declares that his government reserves to itself the right to demand in favor of Greece, when the forced circulation shall be abolished in that country, the proportional application of the provisions agreed on between France and Belgium in the additional act for the regulation of their reciprocal accounts at the time of the dissolution of the union.

An official certificate of this reservation is given by the undersigned plenipotentiaries of Belgium, France, Italy, and Switzerland.

PROTOCOL.

At the moment of proceeding to sign the monetary treaty concluded on the present date between France, Greece, Italy, and Switzerland, the undersigned plenipotentiaries of the president of the French Republic, his majesty the king of the Greeks, his majesty the king of Italy, and of the federal council of the Swiss Republic have, in the name of their respective governments decided and agreed on what follows:

In case Belgium shall not adhere to the monetary treaty signed on the present date between France, Greece, Italy, and Switzerland, each one of the

high contracting parties reserves to itself, if it shall judge it to be necessary in the interest of its citizens, the power to admit into the public treasuries and to receive in the banks of emission the Belgian silver coins of five-francs during a maximum period of three months dating from the expiration of the Treaty of November 5, 1878.

It is likewise understood that for the return of these said coins by the natural way of the exchanges, each one of the high contracting parties keeps its full and complete liberty of action.

In case one of the governments of the union, either directly or by the agency of the banks of emission, shall make an arrangement with the Belgian government or with the National Bank of Belgium for the return home of the Belgian silver five-franc pieces, this arrangement shall be presented for the acceptance of the other states of the union.

In default of agreement, the other states of the union shall have with reference to the state which shall have concluded the arrangement in question, the right of choice between the said arrangement and the clause of liquidation stipulated in Art. 14 of the monetary treaty signed on the present date.

The present protocol shall be considered as approved and sanctioned by the respective governments without other special ratification by the sole fact of the exchange of ratifications on the monetary treaty to which it relates.

Done at Paris in four copies, November 6, 1885.

ARRANGEMENT OF 1893.

ARTICLE 1. The French, Belgian, Greek, and Swiss governments undertake to retire from circulation the Italian silver coins of two-francs, one-franc, fifty-centimes, and twenty-centimes, and to remit them to the Italian government which on its side undertakes to receive them back and redeem them according to the conditions fixed by the following articles.

ART. 2. Four months after the exchange of the ratifications of the present arrangement the public treasuries of Belgium, France, Greece, and Switzerland, in contravention of Art. 6 of the treaty of November 6, 1885, shall cease to receive the Italian subsidiary coins.

ART. 3. The period fixed by the preceding article shall be increased by one month for the fractional coins (silver) coming from Algeria and the French colonies.

ART. 4. The fractional Italian coin retired from circulation shall be placed at the disposal of the Italian government in sums of at least 500,000 francs and carried by each of the other states to a running account bearing interest. This interest shall be at the rate of 2.5 per cent., beginning from the date when the communication that the coin is placed at its disposal shall have been addressed to the Italian government. The interest shall be at the

rate of 3.5 per cent. from the tenth day following the shipment of the coin up to the date of actual payment or the receipt of the securities furnished by Italy.

Payment in all these cases shall not be put off beyond a period of three months from the date of the shipment. Each reimbursement shall consist, to the extent of at least one-half, of the gold pieces struck under the conditions of the Treaty of November 6, 1885. The surplus shall be paid in bills on the creditor countries; the maturity of these bills not to be later than the period fixed by the preceding paragraph.

ART. 5. The transmission of fractional coin and of the securities shall be effected directly between each of the governments of the union and to the Italian government. None of the shipments demanded by the Italian government shall exceed the sum of ten million francs. The French government alone shall receive the demands for shipments made by the Italian government and it shall furthermore, the same as the Italian government, be informed by the other governments of the amount of the retirements effected by each of them. It shall be its duty whenever a demand for coin shall be addressed to it by Italy to apportion the amount among the other states according to the retirements acknowledged by each of them. Three months after the expiration of the periods provided for in Articles 2 and 3 the French government shall make known to the Italian government the total amount of the fractional Italian coin which shall have been retired from circulation in each of the states of the union and in the French colonies.

ART. 6. The Italian government undertakes to effect the delivery and carry on the reimbursement of a minimum of 45 millions of francs of its fractional coin during each of the trimonthly periods which shall follow, until the complete exhaustion of the quantities whose amount shall have been specified according to the terms of the preceding articles. Immediately after the reimbursement of the value of a shipment made at the request of the Italian government, that government may demand a new delivery.

ART. 7. When the Italian government shall have taken back and reimbursed to the other states the total amount of the subsidiary coin which shall have been retired and sent it, it shall cease, contrary to the provisions of Art. 7 of the Treaty of November 6, 1885, to be obliged to take back from the public treasuries of the other states the fractional silver coin which it has emitted.

ART. 8. Regard being had to the special needs of the monetary circulation of Switzerland, the federal government may, during the first four months which shall follow the exchange of ratifications of the present arrangement, remit to the Italian government according to the conditions fixed by Art. 4 a sum of 15 million francs of subsidiary coin, chargeable upon the minimum of 45 millions of francs provided for in Art. 6. The federal government shall,

nevertheless, participate in the divisions effected in the execution of Art. 5 in the proportion of the retirements which it shall have effected over and above the sums remitted in accord with the preceding paragraphs.

ART. 9. The Italian government shall designate those of its treasuries to which the shipment of subsidiary coin shall be made. All the expenses of transportation and others resulting from the present arrangements shall be at its charge and carried to the debit of its running acccount with each of the other states. The adjustment of this account shall take place July 1 and January 1.

ART. 10. By application of Articles 4 and 7 of the Treaty of November 6, 1885, the Italian government cannot refuse those coins whose weight shall have been reduced by wear.

ART. 11. The quotas to which the earlier treaties have limited the coinage of subsidiary silver coin are expressly maintained.

ART. 12. The Italian government, to obviate the exportation of its subsidiary silver coins, having considered that it had a right to have recourse, under the head of an exceptional and temporary measure, to the emission of treasury notes of a value less than five-francs, it is and remains understood that, regard being had to the stipulations of the preceding article, this emission ought to have, as counterpart and as pledge, the deposit in the Italian treasury of an equal amount in subsidiary silver coin. The amount of the subsidiary coin thus placed on deposit as security shall be always equal to the amount of the treasury notes in circulation.

ART. 13. The provisions of Art. 11 of the Treaty of November 6, 1885, are applicable to the emission of treasury notes and to the deposit of subsidiary coin destined to serve as pledge for these emissions.

ART. 14. When the public treasuries of France, Belgium, Greece, Italy, and Switzerland shall no longer be obliged to receive the Italian subsidiary coin, each of these three states may prohibit its importation.

ART. 15. Beginning with the promulgation of the present arrangement, the Italian government may thereafter prohibit the export of its subsidiary coin.

ART. 16. Articles 6 and 7 of the Treaty of November 6, 1885, remain applicable to the subsidiary silver coin admitted by France, Belgium, Greece, and Switzerland. Each of the four states shall always have the right to demand, under the conditions of the present arrangement, the retirement and shipment of its subsidiary silver coin which is found in Italy.

ART. 17. The Italian government reserves to itself the right to demand ultimately that the provisions of Articles 6 and 7 of the Treaty of November 6, 1885, shall be again applicable to the subsidiary Italian coin. But this cannot take place save by the consent of the four other states.

ART. 18. In case that, the Treaty of November 6, 1885 being renounced,

the dissolution of the union shall take place, Art. 15 of the present arrangement shall alone be applicable, and the obligation imposed on each state by Art. 7 of the aforesaid arrangement to redeem within one year its subsidiary silver coin shall again be put in force.

ART. 19. The present arrangement shall be ratified, the ratifications of it shall be exchanged at Paris as soon as possible, and at latest by January 30, 1894.

In evidence whereof the plenipotentiaries have signed the present arrangement and have affixed thereto their seals.

Done in five copies, November 15, 1893.

TREATY OF OCTOBER 29, 1897.

The president of the French Republic, his majesty the king of the Belgians, his majesty the king of the Greeks, his majesty the king of Italy, and the Federal Council of the Swiss Confederation having recognized the scarcity of fractional silver coin in the circulation — a scarcity due among other causes to the disappearance of a great number of these coins, to the constant growth of small transactions, and to new needs resulting from the increase of the population and to certain colonial extensions :

Have resolved to conclude an additional treaty to increase the amounts fixed by Art. 9 of the Treaty of November 6, 1885, and by Art. 3 of the additional agreement of December 2 of the same year in a manner such as to put these amounts into harmony with the actual number of the population and to increase them furthermore at the rate of one franc per capita.

ARTICLE 1. The quotas of subsidiary silver coin fixed by Art. 9 of the Treaty of November 6, 1885, and by Art. 3 of the additional act of December 12 of the same year are increased :

For France, Algeria, and the Colonies, by 130 million francs.

For Belgium by six million francs.

For Italy by 30 million francs.

For Switzerland by three million francs.

ART. 2. The high contracting parties undertake to employ exclusively silver five-franc pieces of their respective issues for the manufacture of new fractional coin. However, each of them may include in sums agreed upon in Art. 1, a coinage of bullion to the amount of three million francs upon condition of establishing, with the profit resulting from this operation, a reserve fund to be used for the betterment of its monetary circulation of gold and silver.

ART. 3. The arrangement of November 15, 1893, will be applicable to new silver coins which the Italian government is entitled to issue after the present additional treaty has been put into operation.

ART. 4. The Greek government resigns the right to cause the coinage of new issues of fractional silver until such time as it shall have been able to take with regard to its monetary allies the same responsibilities which Italy has undertaken for her fractional coin by the act of November 15, 1893, or analogous arrangements accepted by all the high contracting parties.

ART. 5. The high contracting parties undertake not to cause the coinage of the amounts fixed in Art. 1 above, except to a maximum amount of two-fifths of this during the first year and one-fifth in every succeeding year.

The annual amounts which are not taken up may be added to the sums for the subsequent years.

ART. 6. All other arrangements, both those of the Treaty of November 1885 and of its supplements, as well as the additional treaties of October 12, 1885, and November 15, 1893, are and remain expressly maintained.

ART. 7. The present additional treaty shall have the same duration as the treaty of November 6, 1885, of which it shall be held to be an integral part.

ART. 8. The present additional treaty shall be ratified, and the ratifications of it shall be exchanged at Paris within a period of three months, or sooner if possible.

In evidence, the respective plenipotentiaries have signed the present treaty and have affixed their seals.

Done in five copies at Paris, October 29, 1897.

PROTOCOL ADDITIONAL TO THE MONETARY ARRANGEMENT CONCLUDED NOVEMBER 15, 1897, BETWEEN THE FRENCH, BELGIAN, GREEK, ITALIAN, AND SWISS GOVERNMENTS.

The Italian government, having decided to prohibit the export of Italian fractional silver throughout the whole duration of the monetary union of which Italy, with France, Belgium, Greece, and Switzerland, forms a part, in conformity, however, with the power reserved to it by Art. 15 of the arrangement of November 15, 1893, and having furthermore resolved to introduce no change in its monetary régime during the five years which will follow the expiration of the union, by which the return of the Italian fractional coin through the ordinary channels of commerce or exchange could be hindered; the French, Belgian, Greek, and Swiss governments have agreed with it that, in consequence, Italy shall be freed from the obligation, contracted with regard to them, of redeeming within one year subsequent to the expiration of the Treaty of November 6, 1885, those of its subsidiary coins which may be found in circulation within the territory of the allies. This obligation, which is imposed upon her by Art. 7 of the aforesaid treaty shall not continue binding upon her unless the Italian government shall not carry out its intentions as already herein indicated, or unless, in accord with Art. 17 of the

arrangement of November 15, 1893, it demand and obtain permission to enter upon normal relations to the union as to its subsidiary coin.

It is understood further that, by way of reciprocity, the other states of the monetary union which may have redeemed from Italy their fractional silver, under the conditions mentioned in the second paragraph of Art. 16 of the arrangement of November 15, 1893, shall be likewise freed from the obligation of redeeming, during the year following the expiration of the union, such of their subsidiary coin as may be found in circulation in Italy, provided that they have prohibited the exportation of their fractional coin to Italy at the same time that they effected this redemption, and under condition also that they introduce into their monetary régime, during the five years following the expiration of the union, no change of such a nature as would hinder the return of the said fractional silver coins in the course of trade or exchange.

In evidence of which, the undersigned, duly authorized by their respective governments, have drawn the present protocol, power of ultimate ratification or rejection being reserved.

APPENDIX II.

GENERAL COINAGE FIGURES FOR COUNTRIES OF THE LATIN MONETARY UNION.[1]

A. FRENCH COINAGE SINCE 1795.

I. GOLD.

Years	100 francs	50 francs	40 francs	20 francs	10 francs	5 francs	Total
	Francs	Francs	Francs	Francs	Francs	Francs	Francs
1803	....	....	9,044,600	1,165,240	....	....	10,209,840
1804	....	....	10,136,240	28,327,740	....	....	38,463,980
1805	....	....	10,068,280	10,406,220	....	....	20,474,500
1806	....	....	15,494,760	23,039,000	....	....	38,533,760
1807	....	....	1,231,040	16,788,880	....	....	18,019,920
1808	....	....	2,651,760	29,659,500	....	....	32,311,260
1809	....	....	804,240	14,402,200	....	....	15,206,440
1810	....	....	2,334,560	43,736,040	....	....	46,070,600
1811	....	....	50,723,880	81,411,860	....	....	132,135,740
1812	....	....	28,281,920	69,435,960	....	....	97,717,880
1813	....	....	1,918,600	60,741,080	....	....	62,659,680
1814	....	....	....	64,544,720	....	....	64,544,720
1815	....	....	....	55,379,840	....	....	55,379,840
1816	....	....	2,349,160	12,802,120	....	....	15,151,280
1817	....	....	3,619,440	48,577,640	....	....	52,197,080
1818	....	....	14,553,440	80,857,020	....	....	95,410,460
1819	....	....	184,400	52,226,260	....	....	52,410,660
1820	....	....	219,200	28,561,880	....	....	28,781,080
1821	....	....	....	404,140	....	....	404,140
1822	....	....	39,360	4,678,740	....	....	4,718,100
1823	....	....	6,440	401,740	....	....	408,180
1824	....	....	582,160	6,489,540	....	....	7,071,700
1825	....	....	2,029,440	43,586,920	....	....	45,616,360
1826	....	....	2,480	923,060	....	....	925,540
1827	....	....	4,240	3,156,700	....	....	3,160,940
1828	....	....	2,080,560	5,945,180	....	....	8,025,740

[1] From Rapport au Ministre des Finances. Administration des Monnaies et Médailles. Paris, 1899.

A. FRENCH COINAGE SINCE 1795. I. GOLD—*Continued*

Years.	100 francs	50 francs	40 francs	20 francs	10 francs	5 francs	Total
	Francs	Francs	Francs	Francs	Francs	Francs	Francs
1829.....	....	....	843,600	274,580	....	....	1,118,180
1830.....	....	....	14,218,480	9,298,160	....	....	23,516,640
1831.....	....	....	2,502,520	47,138,860	....	....	49,641,380
1832.....	....	....	1,057,600	988,660	....	....	2,046,260
1833.....	....	....	8,913,640	7,886,140	....	....	16,799,780
1834.....	....	....	12,564,320	17,666,880	....	....	30,231,200
1835.....	....	....	1,491,520	3,058,540	....	....	4,550,060
1836.....	....	....	2,109,520	2,987,520	....	....	5,097,040
1837.....	....	....	1,128,960	897,780	....	....	2,026,740
1838.....	....	....	1,241,080	3,699,060	....	....	4,940,140
1839.....	....	....	920	20,669,080	....	....	20,670,000
1840.....	....	....	....	40,998,240	....	....	40,998,240
1841.....	....	....	....	12,375,060	....	....	12,375,060
1842.....	....	....	....	1,852,720	....	....	1,852,720
1843.....	....	....	....	2,826,600	....	....	2,826,600
1844.....	....	....	....	2,742,260	....	....	2,742,260
1845.....	....	....	....	119,140	....	....	119,140
1846.....	....	....	....	2,086,420	....	....	2,086,420
1847.....	....	....	....	7,706,020	....	....	7,706,020
1848.....	....	....	....	39,697,740	....	....	39,697,740
1849.....	....	....	....	27,109,560	....	....	27,109,560
1850.....	....	....	....	79,271,880	5,920,510	....	85,192,390
1851.....	....	....	....	251,704,280	18,005,290	....	269,709,570
1852.....	....	....	....	13,881,300	13,146,970	....	27,028,270
1853.....	....	....	....	312,964,020	....	....	312,964,020
1854.....	....	....	....	469,719,140	38,998,020	17,811,040	526,528,200
1855.....	5,507,400	7,740,250	....	367,995,660	61,495,850	4,688,660	447,427,820
1856.....	5,767,900	5,018,350	....	374,917,980	107,777,340	14,800,425	508,281,995
1857.....	10,344,700	15,975,050	....	383,864,280	144,981,360	17,395,835	572,561,225
1858.....	9,397,800	4,713,750	....	377,552,700	82,110,460	14,914,925	488,689,635
1859.....	3,093,100	3,328,000	....	523,321,500	133,258,890	39,696,300	702,697,790

A. FRENCH COINAGE SINCE 1795. I. GOLD—*Continued.*

Years	100 francs	50 francs	40 francs	20 francs	10 francs	5 francs	Total
	Francs	Francs	Francs	Francs	Francs	Francs	Francs
1860.....	540,500	1,443,850	....	318,932,700	80,755,550	26,779,825	428,452,425
1861.....	....	....	....	80,605,060	10,292,140	7,319,200	98,216,400
1862.....	972,800	1,586,400	....	154,648,660	47,121,180	9,912,950	214,241,990
1863.....	374,500	412,550	....	153,455,860	42,516,370	13,471,360	210,230,640
1864.....	686,900	1,434,100	....	207,641,940	47,885,200	16,195,625	273,843,765
1865.....	151,700	187,000	....	120,797,160	32,492,950	8,258,025	161,886,835
1866.....	1,211,600	2,823,100	....	279,403,560	64.959,170	16.685,495	365,082,925
1867.....	711,600	1,021,850	....	148,790,280	35,502,740	12,553,040	198,579,510
1868.....	231,500	794,700	....	282,202,540	45,328,110	11,519,835	340,076,685
1869.....	4,308,400	89,750	....	227,256,940	1,093,510	1,437,590	234,186,190
1870.....	1,046,000	....	....	54,348,800	....	....	55,394,800
1871.....	....	....	....	50,169,880	....	....	50,169,880
1872.....	....	....	....	....	....	....	....
1873.....	....	....	....	....	....	....	....
1874.....	....	....	....	24,319,700	....	....	24,319,700
1875.....	....	....	....	234,912,000	....	....	234,912,000
1876.....	....	....	....	176,493,160	....	....	176,493,160
1877.....	....	....	....	255,181,140	....	....	255,181,140
1878.....	1,281,400	264,700	....	183,772,000	....	....	185,318,100
1879.....	3,860,100	....	....	20,750,440	....	....	24,610,540
1880.....	....	....	....	....	....	....	....
1881.....	2,167,000	....	....	....	....	....	2,167,000
1882.....	3,742,000	....	....	....	....	....	3,742,000
1883.....	....	....	....	....	....	....	....
1884.....	....	....	....	....	....	....	....
1885.....	289,400	....	....	....	....	....	289,400
1886.....	3,889,200	....	....	19,697,500	....	....	23,586,700
1887.....	23,400	15,050	....	24,629,740	....	....	24,668,190
1888.....	....	....	....	554,140	....	....	554,140
1889.....	10,000	5,000	....	17,461,800	1,000	....	17,477,800
1890.....	....	....	....	20,602,800	....	....	20,602,800

A. FRENCH COINAGE SINCE 1795. I. GOLD—*Continued.*

Years	100 francs	50 francs	40 francs	20 francs	10 francs	5 francs	Total
	Francs	Francs	Francs	Francs	Francs	Francs	Francs
1891.....	....	....	....	17,422,020	....	....	17,422,020
1892.....	....	....	....	4,514,120	....	....	4,514,120
1893.....	....	....	....	50,943,360	....	....	50,943,360
1894.....	14,300	....	....	9,816,760	....	....	9,831,060
1895.....	....	....	....	105,866,940	2,139,990	....	108,006,930
1896.....	40,000	40,000	....	106,608,140	5,850,100	....	112,538,240
1897.....	....	....	....	221,379,540	....	....	221,379,540
1898.....	....	....	....	177,326,540	....	....	177,326,540
1899.....	1,000,000	....	....	25,091,600	12,547,890	....	38,639,490
Totals 1803–1899	60,663,200	46,893,450	204,432,360	7,970,517,800	1,034,180,590	233,440,130	9,550,127,530

II. SILVER.

Year	5 francs	2 francs	1 franc	50 centimes	25 centimes	20 centimes	Total
	Francs	Francs	Francs	Francs	Francs	Francs	Francs
IV and V	41,399,385	....	....	....	....	....	41,399,385.00
VI.......	11,917,300	....	....	....	....	....	11,917,300.00
VII......	18,979,705	....	....	....	....	....	18,979,705.00
VIII......	13,852,230	....	....	....	....	....	13,852,230.00
IX.......	3,816,595	....	....	....	....	....	3,816,595.00
X........	4,842,785	....	....	....	....	....	4,842,785.00
XI.......	11,429,255	....	....	....	....	....	11,429,255.00
1803.....	22,827,000	....	329,308	15,690.00	....	....	23,171,998.00
1804.....	42,303,315	1,139,340	3,356,341	614,838.50	103,361.25	....	47,517,195.75
1805.....	39,181,990	2,732,522	3,888,477	492,195.50	90,725.00	....	46,385,909.50

A. FRENCH COINAGE SINCE 1795. II. SILVER—*Continued.*

Years	5 francs	2 francs	1 franc	50 centimes	25 centimes	20 centimes	Total
	Francs	Francs	Francs	Francs	Francs	Francs	Francs
1806.....	22,428,245	1,151,648	1,516,698	127,580.50	17,480.00	....	25,241,651.50
1807.....	4,022,115	477,598	408,539	74,482.00	26,169.00	....	5,008,903.00
1808.....	46,911,430	3,011,602	11,822,227	6,087,198.50	1,464.75	....	67,833,922.25
1809.....	39,927,225	1,505,412	1,758,833	1,096,490.00	8,534.00	....	44,296,494.00
1810.....	51,722,400	2,017,010	2,392,942	1,037,864.50	....	....	57,170,216.50
1811.....	244,737,480	7,101,258	2,872,497	1,687,805.00	....	....	256,399,040.00
1812.....	155,228,065	2,334,552	1,600,992	1,622,800.50	....	....	160,786,409.50
1813.....	130,014,265	2,756,370	1,344,529	785,149.50	....	....	134,900,313.50
1814.....	60,788,535	313,576	70,740	71,270.00	....	....	61,244,121.00
1815.....	37,660,240	13,566	....	....	....	....	37,673,806.00
1816.....	34,183,345	182,828	392,946	158,407.50	....	....	34,917,526.50
1817.....	35,044,790	1,137,824	619,653	289,241.50	52.071.25	....	37,143,579.75
1818.....	12,099,695	161,076	91,921	41,535.50	11,848.75	....	12,406,076.25
1819.....	20,944,005	167,054	85,926	30,612.00	7,480.25	....	21,235,077.25
1820.....	18,061,460	230,752	106,503	33,543.00	4,362.50	....	18,436,620.50
1821.....	66,775,910	383,446	309,724	59,303.50	5,482.50	....	67,533,866.00
1822.....	98,441,395	1,156,126	746,713	317,371.50	17,532.25	....	100,679,137.75
1823.....	80,340,750	1,393,938	777,047	374,590.50	25,354.50	....	82,911,680.00
1824.....	111,572,835	1,596,904	935,383	341,978.00	28,907.75	....	114,476,007.75
1825.....	72,869,470	1,234,190	877,511	211,208.00	10,912.50	....	75,203,291.50
1826.....	88,732,310	1,094,354	676,229	293,029.00	39,701.00	....	90,835,623.00
1827.....	149,580,405	2,474,510	1,255 500	462,748.50	95,814.75	....	153,868,978.25
1828.....	157,130,665	2,213,302	1,440,251	521,708.50	160,207.25	....	161,466,133.75
1829.....	99,645,450	1,469,046	908,713	513,143.00	106,265.25	....	102,642,617.25
1830.....	118,696,115	569,018	452,112	277,512.50	192,332.25	....	120,187,089.75
1831.....	203,292,395	183,608	1,402,504	242,775.00	102,482.00	....	205,223,764.00
1832.....	134,305,315	4,751,940	1,244,612	809,771.00	242,277.00	....	141,353,915.00
1833.....	154,425,595	1,732,648	792,565	405,222.50	126,832.50	....	157,482,863.00
1834.....	211,534,020	3,988,978	1,630,050	768,333.00	367,003.75	....	218,288,384.75
1835.....	95,811,105	1,862,692	1,105,231	617,477.00	269,644.25	....	99,666,149.25
1836.....	41,518,825	774,540	388,095	306,705.00	254,234.25	....	43,242,399 25
1837.....	109,202,540	1,308,036	767,636	300,380.00	280,105.75	....	111,858,697.75

A. FRENCH COINAGE SINCE 1795. II. SILVER—*Continued*

Years	5 francs	2 francs	1 franc	50 centimes	15 centimes	20 centimes	Total
	Francs	Francs	Francs	Francs	Francs	Francs	Francs
1838.....	86,240,080	1,097,834	562,762	313,553.00	275,095.25	....	88,489,324.25
1839.....	71,538,785	657,580	648,119	448,103.00	345,155.00	....	73.637,742.00
1840.....	61,305,885	680,930	779,595	682,471.50	346,645.50	....	63,795,527.00
1841.....	73,299,680	941,912	1,702,771	1,110.548.00	463,030.00	....	77,517,941.00
1842.....	65,879,910	829,340	758,313	572,717.00	350,890.25	....	68,391,170.25
1843.....	71,858,950	1,054,110	584,904	315,956.00	335,078.25	....	74.148,998.25
1844.....	66,975,560	898,260	597,020	348,986.50	315,153.50	....	69,134,980.00
1845.....	83,903,290	1,241,556	1,681,307	1,792,216.50	1,349,240.00	....	89,967,609.50
1846.....	42,211,015	922,562	2,163.487	2,137,244.50	451,837.00	....	47,886,145.50
1847.....	71,610,030	1,700,580	2,476,168	1,744,879.00	753,500.00	....	78,285,157.00
1848.....	119,052,945	274,366	248,567	118,327.00	36,890.25	....	119,731,095.25
1849.....	203,831,545	1,391,200	1,323,616	1,327.50	....	975.40	206,458,663.90
1850.....	80,603,390	2,138,206	1,288,728	1,118,181.00	....	1,309,980.20	86,458,485.20
1851.....	57,496,450	499,496	374,256	308,997.50	....	648,109.40	59,327,308.90
1852.....	69,951,000	67,802	1,278,542	621,101.50	....	....	71,918,445.50
1853.....	19,458,160	232,136	182,508	76,915.00	....	149,769.20	20,099,488.20
1854.....	53,075	430,206	763,973	540,117.00	....	336,516.20	2,123,887.20
1855.....	24,305,865	164,862	757,000	200,129.50	....	72,449.00	25,500,305.50
1856.....	45,777,405	2,445,948	4,057,659	1,938,762.00	....	202,440.00	54,422,214.00
1857.....	467,030	677,928	1,680,695	815,930.50	....	168,027.80	3,809,611.30
1858.....	133.950	2,576	5,606,916	2,779,255.50	....	140,871.20	8,663.568.70
1859.....	16,825	1,788	5,162,891	2.496,372.00	....	723,937.80	8,401,813.80
1860.....	....	....	4,073,564	2,106,121.00	....	1,904,513.60	8,084,198.60
1861.....	110,490	....	2,230,277	177,282.50	....	....	2,518,049.50
1862.....	105,645	....	1,124,489	1,278,478.50	....	10,785.20	2,519,397.70
1863.....	108,435	....	73,073	68,505.50	....	79,597.00	329,610.50
1864.....	160,840	....	22,202	7,025,770.50	....	87.797.40	7,296,609.90
1865.....	485,670	....	....	8.736,724.50	....	....	9,222,394.50
1866.....	189,465	13,505,354	23,244,625	7,338,778.00	....	543,187.00	44,821,409.00
1867.....	54,051,560	17,819,748	25,518,054	14,605,935.50	....	1,763,242.20	113,758,539.70
1868.....	93,620,550	9,165,682	25,194,278	1,394,256.00	....	70,502.00	129,445,268.00
1869.....	58,264,285	2,942,402	6,029,210	900,000.00	....	40,000.00	68,175,897.00

A. FRENCH COINAGE SINCE 1795. II. SILVER—*Continued.*

Years	5 francs	2 francs	1 franc	50 centimes	25 centimes	20 centimes	Total
	Francs	Francs	Francs	Francs	Francs	Francs	Francs
1870.....	53,648,350	12,622,584	2,780,322	....	....	....	69,051,256.00
1871.....	4,710,905	14,456,574	4,231,629	479,391.50	....	....	23,878,499.50
1872.....	389,190	7,547,588	15,958,333	2,943,258.50	....	....	26,838,369.50
1873.....	154,649,045	1,056,152	19,101	545,862.00	....	....	156,270,160.00
1874.....	59,996,010	....	....	613,978.50	....	....	60,609,988.50
1875.....	75,000,000	....	....	....	....	....	75,000,000.00
1876.....	52,661,315	....	....	....	....	....	52,661,315.00
1877.....	16,464,285	....	....	....	....	....	16,464,285.00
1878.....	1,821,420	....	....	....	....	....	1,821,420.00
1879.....	....	....	....	....	....	....	....
1880.....	....	....	....	....	....	....	....
1881.....	....	2,028,000	2,010,000	2,695,445.00	....	....	6,733,445.00
1882.....	....	....	....	1,159,859.50	....	....	1,159,859.50
1883.....	....	....	....	....	....	....	....
1884.....	....	....	....	....	....	....	....
1885.....	....	....	....	....	....	....	....
1886.....	....	....	....	154,379.00	....	....	154,379.00
1887.....	....	4,685,806	3,291,930	932,847.00	....	....	8,910,583.00
1888.....	....	261,002	3,244,069	2,258,553.00	....	....	5,763,624.00
1889.....	....	200	100	50.00	....	20.00	370.00
1890.....	....	....	....	....	....	....	....
1891.....	....	....	....	....	....	....	....
1892.....	....	....	....	....	....	....	....
1893.....	....	....	....	....	....	....	....
1894.....	....	600,000	1,600,000	1,800,000.00	....	....	4,000,000.00
1895.....	....	1,200,000	3,200,000	3,600,000.00	....	....	8,000,000.00
1896.....	....	....	....	....	....	....	....
1897.....	....	....	....	44,000.00	....	....	44,000.00
1898.....	....	10,000,000	15,000,000	15,000,000.00	....	....	40,000,000.00
1899.....	....	7,000,000	2,664,398	5,188,476.00	....	....	14,852,874.00
Totals.. IV-1899	5,060,606,240	177,863,534	224,558,399	122,620,003.50	7,671,101.25	8,252,720.60	5,601,571,998.35

B. ITALIAN COINAGE SINCE 1862.

I. GOLD.

Years	100 lire	50 lire	20 lire	10 lire	5 lire	Total
	Lire	Lire	Lire	Lire	Lire	Lire
1862	....	....	39,097,560	....	....	39,097,560
1863	....	5,150	59,614,000	5,427,150	984,150	66,030,450
1864	....	....	12,172,600	....	....	12,172,600
1865	47,400	....	02,181,000	4,437.110	2,039,680	68,705,190
1866	....	....	3,926,020	....	....	3,926,020
1867	10,500	5,150	5,510,180	....	....	5,525,830
1868	....	....	6,807,940	....	....	6,807,940
1869	....	....	3,707,100	....	....	3,707,100
1870	....	....	1,095,400	....	....	1,095,400
1871	....	....	470,160	....	....	470,160
1872	66,100	....	....	....	....	66,100
1873	....	....	20,404,140	....	....	20,404,140
1874	....	....	5,919,420	....	....	5,919,420
1875	....	....	2,244,440	....	....	2,244,440
1876	....	....	2,154,560	....	....	2,154,560
1877	....	....	4,947,960	....	....	4,947,960
1878	29,400	....	6,315,880	....	....	6,345,280
1879	....	....	2,929,320	....	....	2,929,320
1880	14,500	....	2,576,160	....	....	2,590,660
1881	....	....	16,860,560	....	....	16,860,560
1882	122,900	....	139,400,140	....	....	139,523,040
1883	421,900	....	3,645,600	....	....	4,067,500
1884	....	126,600	195,500	....	....	322,100
1885	....	....	3,294,680	....	....	3,294,680
1886	....	....	1,180,160	....	....	1,180,160
1887	....	....	....	....	....	....
1888	116,900	106,250	2,210,800	....	....	2,433,950
1889	....	....	....	....	....	....
1890	....	....	1,364,400	....	....	1,364,400
1891	....	20,700	635,820	....	....	656,520
1892	20,900	....	653,220	....	....	674,120
1893	....	....	824,280	....	....	824,280
1894	....	....	....	....	....	....
1895	....	....	....	....	....	....
1896	....	....	....	....	....	....
1897	....	....	766,660	....	....	766,660
1898	....	....	....	....	....	....
Totals	850,500	258,700	413,105,660	9,864,260	3,023,830	427,102,950

ITALIAN COINAGE SINCE 1862—*Continued.*

II. SILVER.

Years	5 lire	2 lire	1 lire	30 centesimi	20 centesimi	Total
	Lire	Lire	Lire	Lire	Lire	Lire
1862.....	964,435	123,896	602,440	407,524.00	....	2,098,295.00
1863.....	....	1,669,360	26.323,405	3,729,335.50	360,773.20	32,082,873.70
1864.....	601,935	9,038,290	14,003,434	5,183,201.50	2,471,425.60	31,298,286.10
1865.....	4,010,845	14,184,368	11,062,009	12,816,257.00	3,874,472.80	45,947,941.80
1866.....	2,351,760	5,107,982	8,611,152	19,661,809.00	120,127.60	35,852.830.60
1867.....	....	....	8,000,000	8,356,945.00	173,200.20	16,530,145.20
1868.....	....	....	....	1,252,452.00	....	1,252,452.00
1869.....	19,976,230	....	....	....	....	19,976,230,00
1870.....	29,845,780	....	....	....	....	29,845,780.00
1871.....	36,000,195	....	....	....	....	36,000,195.00
1872.....	35,611,920	....	....	....	....	35,611,920.00
1873.....	42,273,935	....	....	....	....	42,273,935.00
1874.....	60,000,000	....	....	....	....	60,000,000.00
1875.....	50,000,000	....	....	....	....	50,000,000.00
1876.....	31,951,715	....	....	....	....	31,951,715.00
1877.....	22,048,285	....	....	....	....	22,048,285.00
1878.....	9,000,000	....	....	....	....	9,000,000.00
1879.....	20,000,000	....	....	....	....	20,000,000.00
1880.....	....	....	....	....	....	....
1881.....	....	8,281,588	....	....	....	8,281,588.00
1882.....	....	5,718,412	....	....	....	5,718,412.00
1883.....	....	7,000,000	....	....	....	7,000,000.00
1884.....	....	9,000,000	1,994,580	....	....	10,994,580 00
1885.....	....	697,546	....	....	....	697,546.00
1886.....	....	4,302,454	6,095,352	....	....	10,397,806.00
1887.....	....	15,000,000	16.304,648	....	....	31,304,648.00
1888.....	....	....	....	....	....	....
1889.....	....	....	....	311,960.00	....	311,960.00
1890.....	....	....	....	5,635.00	....	5,635.00
1891.....	....	....	....	....	....	....
1892.....	....	....	31,593	119,153.50	....	150,746.50
1893.....	....	....	....	....	....	....
1894.....	....	....	....	....	....	....
1895.....	....	....	....	....	....	....
1896.....	....	....	....	....	....	....
1897.....	....	1,595,632	....	....	....	1,595,632.00
1898.....	....	2,739,218	....	....	....	2,739,218.00
Totals.. 1862–1898	364,637,025	84,458,746	93,034,033	51,844,292.50	7,000,000.00	600,971,096.50

C. BELGIAN COINAGE SINCE 1832.[1]

I. GOLD.

Years	25 francs	20 francs	10 francs	Total
	Francs	Francs	Francs	Francs
1832–1847	....	....	....	....
1848	8,037,425	....	....	8,037,425
1849	3,749,575	....	371,880	4,121,455
1850	1,853,875	....	633,270	2,487,145
1851–1864	....	....	....	....
1865	....	20,522,060	....	20,522,060
1866	....	10,639,260	....	10,639,260
1867	....	26,826,140	....	26,826,140
1868	....	27,634,980	....	27,634,980
1869	....	24,689,480	....	24,689,480
1870	....	63,824,060	....	63,824,060
1871	....	45,179,440	....	45,179,440
1872	....	....	....	....
1873	....	....	....	....
1874	....	60,927,000	....	60,927,000
1875	....	82,685,060	....	82,685.060
1876	....	41,393,640	....	41,393,640
1877	....	118,121,400	....	118,121,400
1878	....	51,108,000	....	51,108,000
1879–1881	....	....	....	....
1882	....	10,446,200	....	10,446,200
1883–1898	....	....	....	....
Total	13,640,875	583,996,720	1,005,150	598,642,745

[1] *Ibid.*, pp. 89 *et seq.*

C. BELGIAN COINAGE SINCE 1832 — *Continued.*

II. SILVER.

Years	5 francs	2½ francs	2 francs	1 franc	50 centimes	25 centimes	20 centimes	Total
	Francs	Francs	Francs	Francs	Francs	Francs	Francs.	Francs
1832	186,760	...	...	...	...	...	...	186,760.00
1833	5,628,330	...	...	60,836	29.175.00	...	...	5,718,341.00
1834	1,749,880	...	552,712	481,551	789,023.50	188,047.00	...	3,761,213.50
1835	1,848,840	...	450,110	830,698	402,521.00	160,004.75	...	3,692,173.75
1836–1837	...	...	...	...	...	...	...	...
1838	26,015	...	600,610	525,362	275,183.50	...	...	1,427,170.50
1839	...	...	...	...	...	...	...	...
1840	...	...	472,682	261,041	173,685.00	...	...	907,408.00
1841–1842	...	...	...	...	...	...	...	...
1843	...	...	1,469,000	...	182,000.00	2,000.00	...	1,653,000.00
1844	401,000	...	966,000	2,196,400	792,000.00	241,500.00	...	4,596,900.00
1845–1846	...	...	...	...	...	...	...	...
1847	3,498,005	...	...	...	...	...	...	3,498,005.00
1848	12,581,415	1,398,537.50	...	...	...	...	...	13.979,952.50
1849	34,610,475	5,007,115.00	...	40,662	...	...	...	39.658,252.00
1850	26,326,480	397,880.00	...	162,016	104,785.50	25,209.00	...	27,016,370.50
1851	18,539,610	...	...	...	...	...	...	18,539,610.00
1852	23,023,380	...	...	...	...	...	60,128.00	23,083,508.00
1853	12,132,990	...	...	...	...	...	393,010.80	12,526,000.80
1854–1857	...	...	...	...	...	...	...	...
1858	90,510	...	...	...	...	...	173,050.40	263,560.40
1859–1864	...	...	...	...	...	...	...	...
1865	4,536,800	...	...	...	...	...	...	4,536,800.00
1866	...	...	3,884,000	3,041,000	3,403,000.00	...	...	10,328,000.00
1867	18,465,720	...	7,578,000	6,652.000	507,000.00	...	...	33,202,720.00
1868	32,852,820	...	4,328,460	675,000	537,932.00	...	...	38,394,212.00
1869	63,287,710	...	...	1,393,608	...	...	...	64,681,318.00
1870	52,340,375	...	...	...	...	...	...	52,340,375.00
1871	23,917,170	...	...	...	...	...	...	23,917,170.00

C. BELGIAN COINAGE SINCE 1832. II. SILVER.—*Continued.*

Years	5 francs	2½ francs	2 francs	1 franc	50 centimes	25 centimes	20 centimes	Total
	Francs	Francs	Francs	Francs	Francs	Francs	Francs	Francs
1872.....	10,225,000	....	....	....	....	....	....	10,225,000.00
1873.....	111,704,795	....	....	....	....	....	....	111,704,795.00
1874.....	12,000,000	....	....	....	....	....	....	12,000,000.00
1875.....	14,904,705	....	....	....	....	....	....	14,904,705.00
1876.....	10,799,425	....	....	....	....	....	....	10,799.425.00
1877–1879	....	....	....	....	....	....	....	....
1880.....	....	....	235,294	545,222	....	....	....	780,516.00
1881.....	....	....	....	119,484	100,000.00	....	....	219,484.00
1882–1885	....	....	....	....	....	....	....	....
1886.....	....	....	....	2,276,000	2,500,000.00	....	....	4,776,000.00
1887.....	....	....	300,000	2,724,000	....	....	....	3,024,000.00
1888–1897	....	....	....	....	....	....	....	....
1898.....	....	....	....	....	500,000.00	....	....	500,000.00
Total..	495,678,210	6,803,532.50	20,836,868	21,984,880	10,296,305.50	616,760.75	626.189.20	556,842,745.95

D. GREEK COINAGE SINCE 1865.

I. GOLD.

Years	100 drachmas	50 drachmas	20 drachmas	10 drachmas	5 drachmas	Total
	Drachmas	Drachmas	Drachmas	Drachmas	Drachmas	Drachmas
1886–1875	.....	.....	....	....	......	....
1876.....	7,600	9,100	747,240	189,590	46,470	1,000,000
1877–1883	.....	.....	....	....	......	....
1884.....	.....	.....	11,000,000	....	......	11,000,000
1885–1898	.....	.....	....	....	......	....
Total ..	7,600	9,100	11,747,240	189,590	46,470	12,000,000

II. SILVER.

Years	5 drachmas	2 drachmas	1 drachmas	50 lepta	20 lepta	Total
	Drachmas	Drachmas	Drachmas	Drachmas	Drachmas	Drachmas
1866–1867	....	....	... .	....	....	....
1868.....	....	94,838	328,547	....	....	423,385.00
1869.....	....	....	151,135	30.00	....	151,165.00
1870–1872	....	....	....	....	....	....
1873.....	....	1,678,862	1,802,211	....	....	3,481,073.00
1874.....	....	....	2,249,465	2,250,286.50	444,625.40	4,944,376.90
1875.....	5,988,995	....	....	....	....	5,988,995.00
1876.....	9,429,345	....	....	....	....	9,429,345.00
1877.....	44,525	....	....	....	....	44,525.00
1878–1882	....	....	....	....	....	....
1883.....	....	500,000	800,000	300,000.00	200,000.00	1,800,000.00
1884–1898	....	....	....	....	....	....
Total ..	15,462,865	2,373,700	5,331,358	2,550,316.50	644,625.40	26,262,864.90

E. SWISS COINAGE SINCE 1850 LEGALLY CIRCULATING IN 1899.

Denomination	Number of coins	Nominal value
I. GOLD COIN		Francs
20-franc pieces	2,550,000	51,000,000
II. SILVER COIN		
5-franc pieces	2,126,000	10,630,000
2-franc pieces	5,700,000	11,400,000
1-franc pieces	10,600,000	10,600,000
50-centime pieces	8,400,000	4,200,000
Totals	26,826,000	36,830,000

APPENDIX III.

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[1] In the list of periodical publications given above no effort has been made to furnish exact references for all material used. Much of this material extends throughout a series of issues covering a considerable time. The precise citations have been furnished in the footnotes to the text of the monograph, and they are consequently dispensed with at this point.

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